

REQUEST FOR BOARD ACTION

HENDERSON COUNTY
BOARD OF COMMISSIONERS

**PUBLIC HEARING
TO CONSIDER
CERTIFICATION OF PARTICIPATION SERIES 2006A FUNDING FOR
CONSTRUCTION PROJECTS
1 May 2006 at 7:00 o'clock a.m.**

- ATTACHMENT(S):
1. Notice of Public Hearing as published in *The Times-News*
 2. Affidavit of publisher of *The Times-News*
 3. Financing Documents in substantially final form
 4. Proposed Resolution

SUMMARY:

A public hearing has been scheduled on 1 May 2006 in the above matter.

At the conclusion of the public hearing, the Board may choose to take action, delay action to a subsequent meeting, or take no action.

PROPOSED SCHEDULE OF EVENTS FOR THIS AGENDA ITEM

1. **Statement of a purpose of this hearing (by Chairman):** “to hold a public hearing to take public comment on the proposed installment financing of the design, acquisition, construction, renovation and/or equipping of the Sugarloaf Road Elementary School and Mills River Elementary School (collectively, the "School Facilities"), a technology and education development building and related facilities (the "Technology Building") for Blue Ridge Community College and the Historic County Courthouse and related administrative facilities”
2. **Acknowledgement of Notice of Hearing by County Attorney.**
3. **Presentation of Financing Documents by Finance Director.**
4. **Public Hearing** (begun after motion by a Commissioner)
5. **Close of Public Hearing**
6. **Statement of next purpose (by Chairman):** “to approve and authorize the execution and delivery of the proposed installment financing contract and certain related documents and instruments under which the County would obtain financing pursuant to Section 160A-20 of the North Carolina General Statutes, as amended, for the design, acquisition, construction, renovation and/or equipping of the Facilities, as further described in the Notice, and under which the County would

secure repayment by it of moneys advanced pursuant to such installment financing contract by granting a security interest in the School Facilities and the County Courthouse and real property thereof.”

7. **Adoption of Resolution (upon motion of a Commissioner—proposed motion below):**

PROPOSED MOTION:

I MOVE THAT THE BOARD ADOPT THE RESOLUTION APPROVING AN INSTALLMENT FINANCING OF ELEMENTARY SCHOOL, COMMUNITY COLLEGE AND COUNTY ADMINISTRATIVE FACILITIES AND THE SALE OF NOT MORE THAN \$51,820,000 CERTIFICATES OF PARTICIPATION, SERIES 2006A AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS IN CONNECTION THEREWITH

**NOTICE OF
PUBLIC HEARING
ON WHETHER THE
BOARD OF
COMMISSIONERS
FOR THE COUNTY
OF HENDERSON,
NORTH CAROLINA
SHOULD APPROVE
A PROPOSED
INSTALLMENT
FINANCING
CONTRACT TO
FINANCE THE COST
OF CERTAIN
PROJECTS**

NOTICE IS HEREBY GIVEN that the Henderson County Board of Commissioners (the "Board") will hold a public hearing on May 1, 2006, at 7:00 p.m. in the Commissioners' Meeting Room of the County Administration Building, 100 North King Street, Hendersonville, North Carolina for the purpose of considering whether the Board for the County of Henderson, North Carolina (the "County") should approve a proposed installment financing contract and certain related documents under which the County would obtain financing pursuant to North Carolina General Statutes § 160A-20, as amended, to finance the cost of the Projects hereinafter described and under which the County would secure the repayment of it of moneys advanced pursuant to such installment financing contract by granting a security interest in the School Facilities and Courthouse (each as defined below) and related sites and property thereof under a deed of trust. The Projects consist of (1) the design, acquisition, construction and equipping of the Sugarloaf Road Elementary School to be located at 2270 Sugarloaf Road, Hendersonville, North Carolina; (2) the design,

construction, renovation and equipping of the Mills River Elementary School located at 96 School House Road, Horse Shoe, North Carolina (together, (1), and (2) are "the School Facilities"); and, (3) the design, acquisition, construction and equipping of a Technology Education and Development Building at Blue Ridge Community College located at 100 Alumni Way, Flat Rock, North Carolina; and, (4) the design, construction, renovation and equipping of the historic Henderson County Courthouse building located at 100 Main Street, Hendersonville, North Carolina ("the Courthouse"). The combined cost of constructing the Projects is estimated at approximately \$51,000,000. Drafts of proposed financing documents are available for inspection in the office of the County Manager. All persons interested in this public hearing are encouraged to attend and express their views.

Elizabeth W. Corn
Clerk, Board of
Commissioners
Henderson County, NC

(04575540) 4/20

CERTIFICATION OF PUBLICATION

April 20, 2006

I, Jane Schoff, affirming the following under the penalties of perjury state:

I am employed by Times-News, a subsidiary of the New York Times Company. Times-News, a daily newspaper of general circulation printed and published in the city of Hendersonville, county of Henderson, and state of North Carolina. I hereby certify that the advertisement annexed hereto was published in the editions of The Times-News on the following date or dates:

4/20/06

And that the said newspaper in which such notice, paper, document, or legal advertisement was published was, at the time of each and every publication, a newspaper meeting all of the requirements and qualifications of Section 1-597 of the General Statutes of North Carolina and was a qualified newspaper within the meaning of Section 1-597 of the General Statutes of North Carolina.

This 20th day of April, 2006.

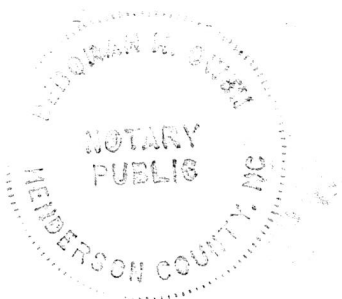
(Signed) Jane Schoff

Sworn to and subscribed before me, this 20th

Day of April, 2006.

Deborah H. Owen Notary Public
Deborah H. Owen

My Commission Expires March 1, 2011



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NOTICE OF PUBLIC HEARING ON WHETHER THE BOARD OF COMMISSIONERS FOR THE COUNTY OF HENDERSON, NORTH CAROLINA SHOULD APPROVE A PROPOSED INSTALLMENT FINANCING CONTRACT TO FINANCE THE COST OF CERTAIN PROJECTS

NOTICE IS HEREBY GIVEN that the Henderson County Board of Commissioners (the "Board") will hold a public hearing on May 1, 2006, at 7:00 p.m. in the Commissioners' Meeting Room of the County Administration Building, 100 North King Street, Hendersonville, North Carolina for the purpose of considering whether the Board for the County of Henderson, North Carolina (the "County") should approve a proposed installment financing contract and certain related documents under which the County would obtain financing pursuant to North Carolina General Statutes § 160A-20, as amended, to finance the cost of the Projects hereinafter described and under which the County would secure the repayment of it of moneys advanced pursuant to such installment financing contract by granting a security interest in the School Facilities and Courthouse (each as defined below) and related sites and property thereof under a deed of trust. The Projects consist of (1) the design, acquisition, construction and equip-

ping of the Sugarloaf Road Elementary School to be located at 2270 Sugarloaf Road, Hendersonville, North Carolina; (2) the design, construction, renovation and equipping of the Mills River Elementary School located at 96 School House Road, Horse Shoe, North Carolina (together, (1), and (2) are "the School Facilities"); and, (3) the design, acquisition, construction and equipping of a Technology Education and Development Building at Blue Ridge Community College located at 100 Alumni Way, Flat Rock, North Carolina; and, (4) the design, construction, renovation and equipping of the historic Henderson County Courthouse building located at 100 Main Street, Hendersonville, North Carolina ("the Courthouse"). The combined cost of constructing the Projects is estimated at approximately \$51,000,000. Drafts of proposed financing documents are available for inspection in the office of the County Manager. All persons interested in this public hearing are encouraged to attend and express their views.

Elizabeth W. Corn
Clerk, Board of
Commissioners
Henderson County, NC
(04575540) 4/20

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Add

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RESOLUTION APPROVING AN INSTALLMENT FINANCING OF ELEMENTARY SCHOOL, COMMUNITY COLLEGE AND COUNTY ADMINISTRATIVE FACILITIES AND THE SALE OF NOT MORE THAN \$51,820,000 CERTIFICATES OF PARTICIPATION, SERIES 2006A AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS IN CONNECTION THEREWITH

WHEREAS, there have been available at this meeting substantially final drafts of the following:

- (1) A form of the Installment Financing Contract to be dated June 1, 2006 (the "Contract") between Henderson County, North Carolina (the "County") and the Henderson County Governmental Financing Corporation (the "Corporation");
- (2) A form of the Deed of Trust and Security Agreement to be dated June 1, 2006 (the "Deed of Trust"), from the County to a trustee for the benefit of the Corporation;
- (3) A form of the Indenture of Trust to be dated June 1, 2006 (the "Indenture") between the Corporation and First-Citizens Bank & Trust Company, as trustee (the "Trustee");
- (4) A form of the Preliminary Official Statement (the "Preliminary Official Statement") relating to the Certificates of Participation, Series 2006A (the "Certificates");
- (5) A form of the Contract of Purchase to be dated on or about June 21, 2006 (the "Purchase Contract") between Wachovia Bank, National Association, on behalf of itself and on behalf of A.G. Edwards & Sons, Inc. (the "Underwriters") and the Corporation;
- (6) A form of the Letter of Representation to be dated on or about June 21, 2006 (the "Letter of Representation") from the County to the Underwriter;
- (7) A form of the Lease Agreement to be dated June 1, 2006 (the "Lease") between the County and the Henderson County Board of Public Education (the "Board of Education"); and
- (8) A form of the Agency Agreement to be dated June 1, 2006 (the "Agency Agreement") between the County and the Board of Education.

WHEREAS, the Board of Commissioners of the County duly conducted a public hearing on May 1, 2006, regarding the Contract to finance the design, acquisition, construction, renovation and/or equipping of the Facilities and the mortgaging of real property related to the School Facilities and the Courthouse, and the Board received evidence supporting the need for such financing; and

WHEREAS, the Board of Commissioners of the County desires to approve the proposed installment financing of the Facilities and the execution, sale and delivery of the Certificates and to authorize other actions in connection therewith;

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the County as follows:

- (1) All actions heretofore taken by the County Manager, the Assistant County Manager, the Finance Director and the County Attorney effectuating the proposed installment financing of the Facilities are hereby approved, ratified and authorized pursuant to and in accordance with the transactions contemplated by the documents referred to above.
- (2) The Board of Commissioners hereby finds and determines in connection with the Contract and the transactions contemplated thereby that (a) such Contract is necessary or expedient to the County, (b) such proposed Contract, under current circumstances, is preferable to a bond issue of the County for the same purpose, (c) the sums estimated to fall due under such Contract are adequate and not excessive for its proposed purpose, (d) the County's debt management procedures and policies are good and its debt will continue to be managed in strict compliance with the law, (e) any increase in taxes necessary to meet the sums estimated to fall due under the Contract will not be excessive and (f) the County is not in default regarding any of its debt service obligations.
- (3) Each of the Contract, the Deed of Trust, the Letter of Representation, the Lease Agreement and the Agency Agreement, in the form submitted to this meeting, is hereby approved, in substantially such form and the Chairman or Vice Chairman of the Board, the County Manager, the Assistant County Manager, the Finance Director, the County Attorney and the Clerk to the Board are each hereby authorized and directed to execute and deliver each of those documents on behalf of the County, with such changes, insertions or omissions as they may approve with the advice of counsel.
- (4) The Indenture and the Purchase Contract, in the forms submitted to this meeting, are hereby approved with such changes, insertions or omissions as they may approve with the advice of counsel, including provisions (if applicable) that relate to an Ambac Assurance Corporation financial guarantee insurance policy procured by the County.
- (5) Each of the Preliminary Official Statement and the final Official Statement in the form of the Preliminary Official Statement submitted to this meeting, is hereby approved, in substantially such form, with such changes, insertions and omissions as appropriate, and the use thereof in connection with the public offering and sale of the Certificates is hereby authorized. The Chairman or Vice Chairman of the Board and the County Manager, the Assistant County Manager, Finance Director and County Attorney are hereby authorized and directed to

effectuate the distribution, on behalf of the County, the final Official Statement in substantially such form, with such changes, insertions and omissions as they may approve with the advice of counsel.

- (6) Subject to the limitations set forth herein, the County Manager is hereby authorized to approve the terms of the Certificates, including but not limited to, the aggregate principal amount and the dates and amounts of maturities thereof, the redemption provisions thereof and the interest rates thereon; provided that: (i) the principal amount of the Certificates shall not exceed \$51,820,000; (ii) the final maturity date of the Certificates shall be no later than June 1, 2026; and (iii) the true interest cost and the effective interest rate thereof shall not exceed 5.30% and 5.50%, respectively.

The Chairman or Vice Chairman of the Board, the County Manager, the Assistant County Manager, the Finance Director, the Clerk to the Board, and the County Attorney are hereby authorized to take any and all such further action and to execute and deliver such other documents as may be necessary or advisable to carry out the intent of this Resolution and to effect the installment financing pursuant to the Contract, including, without limitation, procuring a municipal bond insurance policy and entering into tax compliance certificates and agreements. Without limiting the generality of the foregoing, each of the County Manager and Finance Director is authorized to approve all details of the financing, including without limitation, the amount advanced under the Contract (which shall not exceed \$51,820,000 the annual payments under the Contract, the interest rates with respect to such payments, the term of the Contract, and the discount below or premium above the principal amount of the Certificates at which the Certificates are sold to the Underwriters. Execution of the Contract by the Chairman or Vice Chairman of the Board or the County Manager and Finance Director shall conclusively evidence approval of all such details of the financing.

INSTALLMENT FINANCING CONTRACT

Between

HENDERSON COUNTY GOVERNMENTAL FINANCING CORPORATION

and

COUNTY OF HENDERSON, NORTH CAROLINA

Dated as of

June 1, 2006

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PAYMENT SCHEDULE

EXHIBIT A - DESCRIPTION OF FACILITIES

EXHIBIT B - DESCRIPTION OF SITES

EXHIBIT C - FORM OF REQUISITION

This instrument has been
preaudited in the manner
required by The Local
Government Budget and
Fiscal Control Act.

J. Carey McLelland
Finance Director
County of Henderson

INSTALLMENT FINANCING CONTRACT

THIS INSTALLMENT FINANCING CONTRACT, dated as of June 1, 2006 (the "Contract"), by and between the HENDERSON COUNTY GOVERNMENTAL FINANCING CORPORATION, a North Carolina nonprofit corporation (the "Corporation") and the COUNTY OF HENDERSON, NORTH CAROLINA (the "County"), a political subdivision created and validly existing under the laws of the State of North Carolina (the "State");

WITNESSETH:

WHEREAS, the County is a duly created and validly existing political subdivision, organized under and by virtue of the Constitution and laws of the State;

WHEREAS, the County has the power, pursuant to Section 160A-20 of the General Statutes of North Carolina, as amended, to enter into installment contracts to finance the purchase of real or personal property and the construction or repair of fixtures or improvements on real property;

WHEREAS, the Corporation is a nonprofit corporation, duly organized, existing, qualified to do business and in good standing under the laws of the State, and is authorized to own and hold real and personal property, to dispose of the same and to act in the manner contemplated herein for the purpose of promoting the general welfare of the citizens of the County, by assisting the County in carrying out its municipal and governmental functions through the acquisition, construction, operation, renovation, sale or lease of real estate and improvements, facilities and equipment for the use and benefit of the general public;

WHEREAS, the County seeks to have advanced to it certain funds to enable the County to design, acquire, construct, renovate and/or equip the Facilities on the Sites (each as hereinafter defined) pursuant to the terms and conditions hereinafter set forth;

WHEREAS, in order to obtain said funds, the County has entered into this Contract with the Corporation under which it will make Installment Payments (as hereinafter defined) and Additional Payments (as hereinafter defined) in consideration thereof;

WHEREAS, pursuant to a certain Indenture of Trust of even date herewith (the "Indenture"), by and between the Corporation and First-Citizens Bank & Trust Company, as trustee (the "Trustee"), the Corporation will assign to the Trustee all of its rights, title and interest in this Contract (except the rights of the Corporation under Article XI, its rights to receive notices and those Additional Payments payable to the Corporation under this Contract);

WHEREAS, there will be executed and delivered pursuant to the Indenture Certificates of Participation (the "Certificates") evidencing proportionate undivided interests in rights to receive Revenues (as hereinafter defined) under this Contract;

WHEREAS, the proceeds from the sale of the Certificates will be disbursed by the Trustee for the financing of the acquisition, renovation, construction, installation and equipping of the Facilities and for other purposes set forth herein;

WHEREAS, the execution, performance and delivery of this Contract have been authorized, approved and directed by the Board of County Commissioners (the "Board") by a resolution adopted by the Board on May 1, 2006;

WHEREAS, the execution, delivery and performance of this Contract by the Corporation, and the assignment to the Trustee by the Corporation, pursuant to the Indenture, of all the Revenues under this Contract (except those Additional Payments payable to the Corporation under this Contract), have been authorized, approved and directed by all necessary and appropriate action of the Corporation;

WHEREAS, in order to further secure the obligations of the County hereunder, the County will enter into the Deed of Trust and Security Agreement with the deed of trust trustee named therein, for the benefit of the Corporation and its assignee;

WHEREAS, the obligation of the County to make Installment Payments and Additional Payments shall not constitute a pledge of the faith and credit of the County within the meaning of any constitutional debt limitation;

WHEREAS, no deficiency judgment may be rendered against the County in any action for breach of a contractual obligation under this Contract, and the taxing power of the County is not and may not be pledged in any way directly or indirectly or contingently to secure any moneys due under this Contract; and

WHEREAS, in order to provide for improved public school facilities for County residents, the County will designate the Henderson County Board of Public Education ("Board of Education") as its agent to carry out the design, acquisition, construction, renovation and equipping of the School Facilities (as hereinafter defined) pursuant to an Agency Agreement between the County and the Board of Education, of even date herewith (the "Agency Agreement"), and the County will enter into a Lease, of even date herewith (the "Lease"), wherein the County leases the School Facilities and the Sites to the Board of Education.

NOW, THEREFORE, for and in consideration of the premises and of the covenants hereinafter contained, and other valuable consideration, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

All words and phrases defined in Article I of the Indenture shall have the same meaning in this Contract. In addition, the following terms will have the meanings specified below unless the context clearly requires otherwise:

"Additional Payments" means the reasonable and customary expenses and fees of the Trustee and the Corporation, any expenses of the Corporation in defending an action or proceeding in connection with this Contract or the Indenture, and any taxes or any other expenses, including, but not limited to, licenses, permits, state and local income, sales and use or ownership taxes or property taxes, which the Corporation is expressly required to pay as a result of this Contract (together with interest that may accrue thereon in the event that the County shall fail to pay the same).

"Advance", means the amount of \$[_____] advanced by the Corporation to enable the County to acquire, construct, install and equip the Facilities under the terms of this Contract, as such amount may be amended in connection with the execution and delivery of Additional Certificates pursuant to Section 2.11 of the Indenture.

"Board of Education" means the Henderson County of Board of Public Education.

"Budget Officer" means the officer of the County from time to time charged with preparation of the draft County budget initially submitted to the County Board of Commissioners for its consideration.

"Certificates of Participation" or "Certificates" means the certificates of participation to be executed and delivered pursuant to the Indenture evidencing proportionate and undivided interests in rights to receive Revenues.

"Code" means the Internal Revenue Code of 1986, as amended, including regulations promulgated thereunder.

"Completion Date" means the date on which completion of the design, acquisition, construction, renovation and equipping of the Facilities occurs, as evidenced by the certificate provided for in Section 5.3 hereof.

"Construction Contracts" means the existing and future contracts between the County and the general contractors selected and hired by the County relating to the construction of the Facilities.

"Corporation" means Henderson County Governmental Financing Corporation, its successors or assigns.

"Costs of Construction" shall be deemed to include payment of or reimbursement for the following items:

(a) obligations incurred for the Facilities in connection with the design, acquisition, construction, renovation and equipping thereof;

(b) the cost of design, acquisition, construction, renovation and equipping of the Facilities, including, without limitation, the initial fees and expenses of the Trustee, legal fees and expenses, financial advisory fees and expenses, taxes, inspection costs, the cost of municipal bond insurance, printing costs, permit fees, filing and recording costs and advertising expenses in connection with the design, acquisition, construction, renovation and construction of the Facilities;

(c) all other costs which are considered to be a part of the costs of the acquisition, construction, renovation and equipping of the Facilities in accordance with generally accepted accounting principles and which will not affect the exclusion from gross income for federal income tax purposes of the designated interest component of Installment Payments payable by the County hereunder, including sums required to reimburse the County for advances made by the County that are properly chargeable to the acquisition, construction, renovation and equipping of the Facilities, and including the interest component of Installment Payments prior to the Completion Date.

Costs of Construction shall not be deemed to include any costs related to the payment of any sales tax.

"County" means the County of Henderson, North Carolina or any successor to its functions.

"County Representative" means (i) the person or persons at the time designated to act on behalf of the County for the purpose of performing any act under this Contract or the Indenture by a written certificate furnished to the Corporation containing the specimen signature of such person or persons and signed on behalf of the County by the Chairman of the Board of County Commissioners, or (ii) if any or all of the County's rights and obligations are assigned hereunder, the person or persons at the time designated to act on behalf of the County and the assignees.

"Deed of Trust" means the Deed of Trust and Security Agreement, dated June 1, 2006, between the County and the deed of trust trustee named therein, for the benefit of the Corporation or its assignees, all of the terms, definitions, conditions and covenants of which are incorporated herein by reference and are made a part of this Contract as if fully set forth herein.

"Event of Non-Appropriation" means the failure by the Board of Commissioners of the County to budget and appropriate in its budget for the ensuing fiscal year adopted on or about June 30 of each year, or the deletion from its adopted budget in any fiscal year of, moneys sufficient to pay all Installment Payments and the reasonably estimated Additional Payments under this Contract coming due in such ensuing fiscal year.

"Facilities" means the buildings or improvements thereto, rights in property and personal and other property described in Exhibit A attached hereto together with any and all additions, modifications, attachments, replacements and parts thereof.

"Indenture" means the Indenture of Trust of even date herewith between the Corporation and the Trustee, as amended or supplemented from time to time, pursuant to which the Certificates are executed and delivered.

"Installment Payments" means those payments made by the County to the Corporation as described in Article III of this Contract and in the Payment Schedule.

"Local Government Commission" means the Local Government Commission of North Carolina, a division of the Department of State Treasurer, established by Section 159-3 of the General Statutes of North Carolina, and any successor or successors thereto.

"Net Proceeds," when used with respect to any proceeds from policies of insurance, proceeds of any condemnation award arising out of the condemnation of all or any portion of the Sites or the Facilities, proceeds from any bonds required by Section 5.4 of this Contract or the proceeds from any sale or lease of the Facilities or the Sites pursuant to the Deed of Trust or otherwise, means the amount remaining after deducting from the gross proceeds thereof all expenses (including, without limitation, attorneys' fees and costs) incurred in the collection of such proceeds.

"Owner" or "Owners" means the registered owner or owners of any Certificate fully registered as shown in the registration books of the Trustee.

"Payment Schedule" means the document attached hereto and incorporated herein by reference, which describes the County's Installment Payments.

"Permitted Encumbrances" has the meaning specified in Schedule II of the Deed of Trust.

"Plans and Specifications" means the plans and specifications prepared or to be prepared by an architect or architects selected and hired by the County relating to the construction of the Facilities, which plans and specifications shall not be revised materially without the prior written approval of the Trustee.

"Revenues" means (a) all Net Proceeds not applied to the replacement of the Facilities or the Sites, (b) the Installment Payments, and (c) all other revenues derived from the Contract, excluding Additional Payments.

"School Facilities" means the Sugarloaf Road Elementary School project and the Mills River Elementary School project and related facilities described in Exhibit A attached hereto.

"Sites" means the real property described in Exhibit B attached hereto and incorporated herein by reference.

"State" means the State of North Carolina.

"Technology Building" means the new technology classroom building for the Blue Ridge Community College, more particularly described in Exhibit A hereto.

"Trustee" means First-Citizens Bank & Trust Company, a state banking corporation duly organized and validly existing under the laws of the State with its principal corporate trust office located in Raleigh, North Carolina, acting in the capacity of trustee for the Owners pursuant to the Indenture, and any successor thereto appointed under the Indenture.

ARTICLE II

ADVANCE TO COUNTY

The Corporation hereby makes the Advance to the County, and the County hereby accepts from the Corporation the Advance to be applied in accordance with the terms and conditions of this Contract and the Indenture to design, acquire, construct, renovate and equip the Facilities.

ARTICLE III

INSTALLMENT PAYMENTS; ADDITIONAL PAYMENTS

Section 3.1. Amounts and Times of Installment Payments and Additional Payments. The County shall repay the Advance in installments as provided in this Contract and the Payment Schedule. Each installment shall be deemed to be an Installment Payment and shall be paid on May 15 and November 15 in each year in the amounts set forth on the Payment Schedule except as provided herein. There shall be credited against the amount of Installment Payments otherwise payable hereunder amounts equal to (i) the earnings derived from the investment of the Certificate Fund and the Prepayment Fund, and (ii) any other moneys required to be deposited in the Certificate Fund. The Trustee shall determine the amounts of such credits and shall notify the County thereof prior to the applicable Installment Payment dates. Installment Payments shall be sufficient in the aggregate to repay the Advance together with interest thereon as set forth in the Payment Schedule. The County shall pay Additional Payments on a timely basis directly to the person or entity to which such Additional Payments are owed.

Section 3.2. Place of Payment. All payments required to be made to the Corporation hereunder shall be made to the Trustee for the benefit of the Owners of the Certificates at the Trustee's principal office in immediately available funds or as may be otherwise directed in writing by the Trustee.

Section 3.3. No Abatement. There will be no abatement or reduction of the Installment Payments by the County for any reason, including but not limited to, any defense, recoupment, setoff, counterclaim, or claim (real or imaginary) arising out of or related to the Sites or the construction of the Facilities. The County assumes and shall bear the entire risk of loss and damage to the Sites and the Facilities from any cause whatsoever, it being the intention of the parties that the Installment Payments shall be made in all events unless the obligation to make such Installment Payments is terminated as otherwise provided herein.

Section 3.4. Prepayment of Advance.

(a) So long as no Event of Default under Section 7.01 of the Indenture shall have occurred and be continuing, the County shall have the option to prepay or provide

for the prepayment of the Advance on or after June 1, 2016 in full or in part in the amount of \$5,000 or any integral multiple thereof, on 45 days' written notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the Certificates, including any required prepayment premium, under Section 4.01(a) of the Indenture.

(b) In the event of loss or damage to the Facilities or the condemnation of the Sites or the Facilities, if the County determines not to apply Net Proceeds to the restoration, modification, improvement, completion or replacement of the Facilities or the Sites, as permitted by Section 8.3 hereof and, in the case of prepayment of less than all of the Certificates then Outstanding, so long as no Event of Default under the Indenture shall have occurred and be continuing, the value of the Sites and the Facilities is not less than the then Outstanding principal amount of the Certificates and the Deed of Trust remains in full force and effect, the County shall prepay the Advance on any date selected by the County, in full or in part in the amount of \$5,000 or any integral multiple thereof, on 45 days' notice to the Trustee, at a prepayment price equal to the then applicable prepayment price of the Certificates, without premium, under Section 4.01(b) of the Indenture, by paying such Net Proceeds, together with other available funds, if any, to the Trustee for deposit into the Prepayment Fund; provided, however, if the County uses other available funds together with the Net Proceeds to prepay the Advance, then the amount of any such available funds may not exceed one-third of the amount of the Net Proceeds to be applied to such prepayment.

(c) In the event of a partial prepayment of the Advance, the Payment Schedule shall be recalculated as necessary by the Trustee in the manner required by Section 3.09 of the Indenture.

ARTICLE IV

CONSTRUCTION FUND

Section 4.1. Construction Fund. The Corporation will cause an amount equal to the Advance less the underwriting discount, the premium paid to the Certificate Insurer and any original issue discount on the Certificates to be deposited with the Trustee in the Construction Fund, which shall be held by the Trustee in trust in a separate fund designated as the "County of Henderson, North Carolina Installment Financing Contract Construction Fund" and applied in accordance with the provisions of this Article IV and the Indenture.

Section 4.2. Investment. The Trustee has agreed in the Indenture that the Trustee shall invest and reinvest the Construction Fund in accordance with written instructions received from the County. The County shall be solely responsible for ascertaining that all proposed investments and reinvestments comply with Section 159-30 of the General Statutes of North Carolina or any successor statute and administrative regulations thereunder and other federal, state and local laws, regulations and ordinances governing investment of escrowed funds held pursuant to a loan arrangement similar in substance to the arrangement contemplated by this Contract and for providing appropriate notice to the Trustee for the reinvestment of any maturing investment. Accordingly, the Trustee shall not be responsible for any liability, cost, expense, loss

or claim of any kind, directly or indirectly, arising out of or related to investment or reinvestment of all or a portion of the Construction Fund, except such liability, cost, expense, loss or claim that results from the Trustee's own negligence or willful misconduct.

Section 4.3. Disbursements. Unless the Construction Fund is earlier terminated in accordance with the provisions of Section 4.4 hereof and so long as no Event of Default under Section 7.01 of the Indenture shall have occurred and be continuing, moneys held to the credit of the Construction Fund shall be disbursed by the Trustee in payment of the Costs of Construction upon receipt of written requisition from the County substantially in the form set forth in Exhibit C attached hereto, together with any documents or other items as the Trustee may determine to be necessary, including but not limited to construction invoices, lien waivers, inspection reports, itemization of present and prospective expenditures and a list of items necessary for completion. If moneys held to the credit of the Construction Fund are insufficient to pay the Costs of Construction, the County shall provide any balance of the funds needed to complete the construction of the Facilities. Any moneys remaining in the Construction Fund after completion of the construction in accordance with Section 5.3 hereof or on termination hereof before such completion shall be applied in accordance with Section 3.08 of the Indenture.

Section 4.4. Termination. The Construction Fund shall be terminated at the earlier of (a) the final distribution of the Construction Fund, or (b) the termination of this Contract.

Section 4.5. Reliance of Trustee on Documents. The Trustee may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine and may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument. Unless the Trustee is guilty of negligence or willful misconduct with regard to its duties hereunder, the Trustee shall not be liable in any manner for the sufficiency or correctness as to form, manner and execution, or validity of any instrument nor as to the identity, authority, or right of any person executing the same; and its duties hereunder shall be limited to the receipt of such moneys, instruments or other documents received by it as the Trustee, and for the disposition of the same in accordance herewith.

Section 4.6. Indemnification of Trustee. Unless the Trustee is guilty of negligence or willful misconduct with regard to its duties hereunder, the County agrees, to the extent permitted by law, to indemnify the Trustee and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or any other expenses, fees or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Trustee under this Contract or the Indenture; and in connection therewith, to indemnify the Trustee against any and all expenses, including reasonable attorneys' fees and the cost of defending any action, suit or proceedings or resisting any claim. If an Event of Default shall occur and be continuing, the Trustee shall be vested with a lien on all property deposited hereunder or under the Indenture, except for moneys expressly set aside to pay the Certificates, for indemnification for reasonable attorneys' fees, court costs, for any suit, interpleader or otherwise, or any other expenses, fees or charges of any character or nature, including but not limited to those set forth in Section 4.9 hereof which may be incurred by the Trustee by reason of disputes arising between the County and the Corporation as to the correct interpretation of this Contract and instructions given to the Trustee hereunder, or otherwise, with the right of Trustee,

regardless of the instructions aforesaid, to hold the said property until and unless said additional expenses, fees and charges shall be fully paid.

Section 4.7. Discretion of the Trustee To File Civil Action in the Event of Dispute. If the County and the Trustee disagree about the interpretation of this Contract, or about the rights and obligations, or the propriety of any action contemplated by the Trustee hereunder, the Trustee may, but shall not be required to, file an appropriate civil action to resolve the disagreement. The Trustee shall be indemnified by the County for all costs, including reasonable attorneys' fees, in connection with such civil action and shall be fully protected in suspending all or part of its activities under this Contract until a final judgment in such action is obtained.

Section 4.8. Consultation with Counsel. The Trustee may consult with counsel of its own choice and shall have full and complete authorization and protection based upon the opinion of such counsel. The Trustee shall otherwise not be liable for any mistakes of fact or errors of judgment, or for any acts or omissions of any kind unless caused by its negligence or willful misconduct.

Section 4.9. Compensation of Trustee. The County shall pay to the Trustee reasonable compensation for all services performed by the Trustee hereunder and under the Indenture and also for all reasonable expenses, charges and other disbursements and those of the Trustee's attorneys, agents and employees incurred in and about the administration and execution of the Indenture and the performance of the Trustee's powers and duties hereunder and under the Indenture, as an Additional Payment.

ARTICLE V

CONSTRUCTION OF THE FACILITIES

Section 5.1. Construction. The County shall comply with the provisions of Article 8 of Chapter 143 of the General Statutes of North Carolina in entering into the Construction Contracts. In the alternative, the County may permit the Board of Education to enter into some or all of the Construction Contracts with respect to the School Facilities, provided that the Board of Education complies with the provisions of Article 8 of Chapter 143 of the North Carolina General Statutes in connection with entering into such contracts. The County shall cause the construction to be carried on expeditiously in accordance with the Plans and Specifications, all applicable ordinances and statutes, and in accordance with the requirements of all regularly constituted authorities having jurisdiction over same. The County shall use its best efforts to cause all utility lines, septic systems and streets serving the Sites on which the Facilities are to be constructed to be completed in accordance with health department standards and other applicable regulations of any governmental agency having jurisdiction. The County will promptly correct any structural defect in the improvements or any material departure from the Plans and Specifications.

Each architect, engineer and general contractor hired by the County in connection with the construction of the Facilities shall be duly licensed in the State.

Section 5.2. Right of Entry and Inspection. The Trustee and its representatives and agents shall have the right to enter upon the Sites and inspect the Facilities and the improvements thereto from time to time during construction, and the County will cause any contractor or subcontractor to cooperate with the Trustee and its representatives and agents during such inspections. No right of inspection or approval contained herein shall be deemed to impose upon the Trustee any duty or obligation whatsoever to undertake any inspection or to give any approval.

Section 5.3. Completion of Construction. The County shall use its best efforts to cause the acquisition, construction, renovation and equipping of the Facilities to be completed by June 1, 2008 unforeseeable delays beyond the reasonable control of the County only excepted. Upon completion of the construction of the Facilities, the County shall deliver to the Trustee and the Certificate Insurer (a) a certificate of the County stating the fact and date of such completion and stating that all of the Costs of Construction have been determined and paid (or that all of such Costs have been paid less specified claims which are subject to dispute and for which a retention in the Construction Fund is to be maintained in the full amount of such claims until such dispute is resolved), (b) a certificate of a duly authorized officer or agent of the architects, engineers or supervising contractors selected and hired by the County in connection with the construction of the Facilities stating the fact and date of such completion, and (c) proof of the insurance coverage required by Section 6.6 hereof. If the accounting of the Construction Fund by the Trustee shows that moneys in the Construction Fund will remain unexpended for the Costs of Construction, the unexpended funds in the Construction Fund shall be applied in accordance with Section 3.08 of the Indenture.

Section 5.4. Payment and Performance Bonds. Each contractor entering into a construction contract for the construction of the Facilities shall be required to furnish a performance bond and a separate labor and material payment bond as required by North Carolina General Statutes, Article 3 of Chapter 44A, copies of which shall be provided to the County.

In the event of any material default by a contractor under any construction contract, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the County shall promptly proceed, either separately or in conjunction with others, to pursue diligently its remedies against such contractor and/or against each surety of any bond securing the performance of the construction contract. The Net Proceeds of any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing, remaining after deduction of expenses incurred in such recovery (including, without limitation, attorneys' fees and costs), and after reimbursement to the County of any amounts theretofore paid by the County and not previously reimbursed to the County for correcting or remedying the default or breach of warranty which gave rise to the proceedings against the contractor or surety, shall be paid to the Trustee for deposit into the Construction Fund if received before the Completion Date therefor, or if received thereafter, shall be deposited as otherwise provided in Section 8.2 hereof or otherwise applied as provided in Section 8.3 hereof. The Net Proceeds of any performance or payment bond or insurance policy required by this Section shall likewise be paid into the Construction Fund if received before the Completion Date, or, if received thereafter, shall either be deposited as provided in Section 8.2 hereof or otherwise applied as provided in Section 8.3 hereof.

Section 5.5. Contractor's General Public Liability and Property Damage Insurance. Each contractor entering into a construction contract shall be required by the County to procure and maintain standard form (a) comprehensive general public liability and property damage insurance, at his or her own cost and expense, during the duration of such contractor's construction contract, in the amount of at least \$1,000,000, and (b) comprehensive automobile liability insurance for owned, hired and non-owned vehicles for limits not less than \$1,000,000. Such policies shall include the County and the Corporation as an additional named insured, and shall include a provision prohibiting cancellation or termination without thirty (30) days' prior notice by certified mail to the County and the Corporation. A certificate of insurance in form acceptable to the County shall be provided to the County with respect to each contractor and subcontractor. Such insurance shall provide protection from all claims for bodily injury, including death, property damage and contractual liability, products/completed operations, broad form property damage and XCU (explosive, collapse and underground damage), where applicable.

Section 5.6. Contractor's Builder's Risk Completed Value Insurance. The County will purchase and maintain, or cause each contractor to purchase and maintain, property insurance (builder's risk) upon the Facilities (excluding contractor's tools and equipment) at the full and insurable value thereof. Such insurance will include the interest of the County and the Corporation and the contractor as additional insureds, shall insure against "all risk" subject to standard policy conditions and exclusions and shall include a provision prohibiting cancellation or termination without thirty (30) days' prior notice by certified mail to the County, the Corporation and the contractor. Each contractor shall purchase and maintain similar property insurance for portions of the work stored off the Sites or in transit when such portions of the work are to be included in an application for payment. Each contractor shall be responsible for the payment of any deductible amounts associated with such insurance.

Section 5.7. Contractor's Workers' Compensation Insurance. Each contractor entering into a construction contract shall be required to procure and maintain, at his or her own cost and expense, workers' compensation insurance during the term of his or her construction contract, covering his or her employees working thereunder. Such insurance, if issued by a private carrier, shall contain a provision that such coverage shall not be canceled without 30 days' prior written notice to the County. A certificate evidencing such coverage shall be provided to the County or, if such insurance is provided by a private carrier, a completed certificate of insurance, in form acceptable to the County, shall be provided to the County and the Corporation with respect to each contractor entering into a construction contract. Each Construction Contract shall also provide that each subcontractor of any contractor who is a party to such construction contract shall be required to furnish similar workers' compensation insurance.

ARTICLE VI

RESPONSIBILITIES OF THE COUNTY

Section 6.1. Care and Use. The County shall use the Sites and the Facilities in a careful and proper manner, in compliance with all applicable laws and regulations, and, at its sole cost and expense, shall service, repair and maintain the Sites and the Facilities so as to keep the Sites and the Facilities in good condition, repair, appearance and working order for the

purposes intended, ordinary wear and tear excepted, and shall replace any part of the Facilities as may from time to time become worn out, unfit for use, lost, stolen, destroyed or damaged. Any and all additions to or replacements of the Sites and the Facilities and all parts thereof shall constitute accessions to the Sites and the Facilities and shall be subject to all the terms and conditions of this Contract and included in the term "Sites" and "Facilities" as used in this Contract.

Section 6.2. Inspection. The County agrees that the Trustee and the Certificate Insurer shall have the right, upon reasonable prior notice to the County and subject to reasonable security considerations, to enter into and upon the Sites to inspect the Sites and to enter into the Facilities to inspect the Facilities.

Section 6.3. Utilities. The County shall pay all charges for gas, water, steam, electricity, light, heat or power, telephone or other utility service furnished to or used on or in connection with the Sites and the Facilities. There shall be no abatement of the Installment Payments on account of interruption of any such services.

Section 6.4. Taxes. The County agrees to pay when due any and all taxes relating to the Sites and the Facilities and the County's obligations hereunder including, but not limited to, all license or registration fees, gross receipts tax, sales and use tax, if applicable, license fees, documentary stamp taxes, rental taxes, assessments, charges, ad valorem taxes, excise taxes, and all other taxes, licenses and charges imposed on the ownership, possession or use of the Sites and the Facilities by any governmental body or agency, together with any interest and penalties, other than taxes on or measured by the net income of the Corporation.

Section 6.5. Title Insurance. The County agrees to obtain, at its own cost and expense, policies of title insurance or an endorsement to such policy at the time of and dated as of the date of execution and delivery of this Contract, in an amount equal to the par value of the Certificates relating to real property, insuring fee title of the County to the Sites and the first lien priority of the Deed of Trust, issued by a title insurance company qualified to do business in the State.

Section 6.6. General Public Liability and Property and Casualty Insurance. The County shall maintain, at its own cost and expense, with insurance companies licensed to do business in the State and reasonably acceptable to the Trustee (a) comprehensive general public liability insurance in amounts not less than \$1,000,000 for each occurrence and (b) property and casualty insurance in an amount not less than the greater of (i) the full replacement cost of the Facilities and (ii) the unpaid balance of the Advance. Such insurance shall include a provision prohibiting cancellation or termination without thirty (15) days' prior written notice by certified mail to the Trustee. Such insurance may be subject to deductibles in amounts comparable to such deductibles for such coverages with other counties within the State of similar size. The insurance coverages required hereunder may be maintained under a blanket policy covering other properties of the County. The County may also participate with other units of local government in mutual or other cooperative insurance programs or, in lieu thereof, in risk management or pooling programs.

Section 6.7. Workers' Compensation Insurance. The County shall also maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the

State to insure its employees under the laws now in force in the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof.

Section 6.8. Performance by the Trustee of the County's Responsibilities. Any performance required of the County or any payments required to be made by the County may, if not timely performed or paid, be performed or paid by the Trustee, and, in that event, the Trustee shall be immediately reimbursed by the County for these payments or other performance by the Trustee, with interest thereon at the rate equal to the prime rate of the Trustee, as announced from time to time.

Section 6.9. Financial Statements. The County agrees that it will furnish the Trustee and the Certificate Insurer annually and at such reasonable times as the Trustee or the Certificate Insurer shall request current financial statements (including, without limitation, the County's annual budget as submitted or approved), and permit the Trustee and the Certificate Insurer or their agents and representatives to inspect the County's books and records and make extracts therefrom. The County represents and warrants to the Trustee and the Certificate Insurer that all financial statements that have been delivered to the Trustee and the Certificate Insurer fairly and accurately reflect the County's financial condition and there has been no material adverse change in the County's financial condition as reflected in the financial statements since the date thereof.

Section 6.10. Continuing Disclosure Covenant. The County hereby undertakes, for the benefit of the beneficial Owners of the Series 2006A Certificates, to provide:

(a) by not later than seven months from the end of each fiscal year of the County, commencing with the fiscal year ending June 30, 2006, to each nationally recognized municipal securities information repository ("NRMSIR") and to the state information depository for the State ("SID"), if any, audited financial statements of the County for such fiscal year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the County are not available by seven months from the end of such fiscal year, unaudited financial statements of the County for such fiscal year to be replaced subsequently by audited financial statements of the County to be delivered within fifteen (15) days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each fiscal year of the County, commencing with the fiscal year ending June 30, 2006, to each NRMSIR, and to the SID, if any, (1) the financial and statistical data as of the date not earlier than the end of such fiscal year for the type of information included under the captions "**THE COUNTY -- Debt Information**" and "**-- Tax Information**" contained in the Official Statement (excluding any information on overlapping or underlying debt) and (2) the combined budget of the County for the current fiscal year, to the extent such items are not included in the audited financial statements referred to above;

(c) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, if any, notice of any of the following events with respect to the Series 2006A Certificates, 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 of any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2006A Certificates;
- (7) modification to the rights of the Owners of the Series 2006A Certificates;
- (8) call of any of the Series 2006A Certificates for prepayment, other than calls for mandatory sinking fund prepayments;
- (9) defeasance of any of the Series 2006A Certificates;
- (10) rating changes;
- (11) release, substitution or sale of any property of the County securing repayment of the Series 2006A Certificates; and

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

The County may meet the continuing disclosure filing requirements described above (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the U.S. Securities and Exchange Commission ("SEC") has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted by the SEC or SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the agent or conduit has received an interpretive letter, which has not been withdrawn from the SEC staff, to the effect that using the agent or conduit to transmit information to the NRMSIRs and the SID will be treated for purposes of SEC Rule 15c2-12(b)(5) as if such information were transmitted directly to the NRMSIRs and the SID.

If the County fails to comply with the undertaking described above, any Owner of the Series 2006A Certificates may take action to protect and enforce the rights of all Owners with respect to such undertaking, including an action for specific performance; provided, however, the County's failure to comply with the undertaking described above shall not constitute an Event of Default under this Contract. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Owners of the Series 2006A Certificates.

The County reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the County, provided that any such modification will be done in a manner consistent with Rule 15c2-12 issued under the Securities Exchange Act of 1934, as it may be amended from time to time ("Rule 15c2-12"), and provided further that:

- (a) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of the Official Statement relating to the Series 2006A Certificates, 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 Owners, as determined either by the Trustee or bond counsel, or by the approving vote of the Owners of a majority in principal amount of the Series 2006A Certificates pursuant to the terms of this Contract, as it may be amended from time to time, at the time of the amendment.

Any annual financial information containing modified operating data or financial information shall explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The County agrees to furnish copies of any notice given under this Section 6.10 to the Certificate Insurer.

The provisions of this Section 6.10 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 2006A Certificates.

Section 6.11. Modification of Facilities; Installation of Equipment and Machinery. The County shall have the right to remodel the Facilities or make substitutions, additions, modifications and improvements to the Facilities, at its own cost and expense; provided, however, that such substitutions, additions, modifications and improvements shall not in any way permanently damage the Facilities or result in the Facilities' use for purposes substantially different from those initially proposed; and provided further that the Facilities, as improved or altered, upon completion of such substitutions, additions, modifications and improvements, shall be of a value not less than the value of the Facilities immediately prior to such making of substitutions, additions, modifications and improvements.

Section 6.12. Risk of Loss. The County shall bear all risk (a) of loss or damage to the Facilities and (b) of the condemnation of the Sites or the Facilities or any portion of either. In the event of loss or damage to the Facilities or condemnation of all or substantially all of the Sites or the Facilities, the County shall, subject to Article VIII hereof, either (a) continue to make the Installment Payments hereunder and repair or replace the Sites or the Facilities, or (b) prepay the then outstanding Advance in whole or in part (and, if in part, continue to make Installment Payments recalculated in accordance with Section 3.09 of the Indenture).

Section 6.13. Consent of County. The County hereby consents to the provisions of Article X of the Indenture regarding Certificate Insurance and to the obligations of the County contained in the Indenture and agrees to perform such obligations as set forth therein.

Section 6.14. The Certificate Insurer's Right to Direct Accounting. The Certificate Insurer shall have the right to direct an accounting at the County's expense, and the County's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Certificate Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner.

Section 6.15. The Certificate Insurer's Access to Information. The County will permit the Certificate Insurer to discuss the affairs, finances and accounts of the County or any information the Certificate Insurer may reasonably request regarding the security for the Series 2006A Certificates with appropriate officers of the County.

ARTICLE VII

TITLE, LIENS

Section 7.1. Title. Title to the Sites and the Facilities (except for the Technology Building) and any and all additions, repairs, replacements or modifications thereto shall be in the County from and after the date of execution and delivery of this Contract so long as the County shall not be in default thereunder and shall vest permanently in the County on the payment of the Advance, free and clear of any lien or security interest of the Trustee therein. Simultaneously with the execution and delivery of this Contract, the County shall deliver to the Trustee the Deed of Trust in form satisfactory to the Corporation and the Trustee. Upon payment in full of all of the County's obligations hereunder, including the Advance and all other payments due hereunder, the Corporation or its assignee, at the County's expense and request, shall cancel the Deed of Trust and this Contract will terminate.

Section 7.2. Liens. Except for Permitted Encumbrances, and as provided in the next paragraph, the County shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, security interest, encumbrance or claim on or with respect to the Sites or the Facilities or any interest therein, except for the lien and security interest of the Corporation or its assignees therein created by this transaction. The County shall promptly, at its own expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, security interest, charge, encumbrance or claim if the same shall arise at any time. The

County shall reimburse the Corporation or its agents or assignees for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, security interest, charge, encumbrance or claim.

The County may create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, security interest, encumbrance or claim on or with respect to the Sites or the Facilities or any interest therein so long as such shall be expressly subordinate to the lien and security interest of the Corporation or its assignees therein created by this transaction.

Section 7.3. Installation of County's Personal Property. The County may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Sites or Facilities. All such items that constitute fixtures shall become a part of the Sites or Facilities. All such items that are not deemed to be fixtures shall remain the sole personal property of the County, in which neither the Corporation nor the Trustee shall have any interest, and may be modified or removed by the County at any time, provided that the County shall repair and restore any and all damage to the Sites or Facilities resulting from the installation, modification or removal of any such items.

ARTICLE VIII

DAMAGE, DESTRUCTION AND CONDEMNATION USE OF NET PROCEEDS

Section 8.1. Damage, Destruction and Condemnation. If, during the term hereof, (i) the Facilities or any portion thereof are destroyed, or are damaged by fire or other casualty; (ii) title to or the temporary or permanent use of the Sites or the Facilities or any portion thereof or the estate of the County or the Corporation or its assignee in the Sites or the Facilities or any portion thereof shall be taken under the power of eminent domain by any governmental authority; (iii) a material defect in construction of the Facilities shall become apparent; or (iv) title to or the use of all or any portion of the Sites or the Facilities shall be lost by reason of a defect in title thereto, then the County shall continue to be obligated, subject to the provisions of Section 8.2 hereof, to continue to pay the amounts specified in Section 3.1 hereof regardless of whether the certificate provided for in Section 5.3 hereof shall have been delivered.

Section 8.2. Obligation of the County To Repair and Replace the Sites and the Facilities. Subject to the provisions of Section 8.3 hereof, the Trustee shall cause the Net Proceeds of any insurance policies, performance bonds, condemnation awards or Net Proceeds received as a consequence of default under a construction contract, made available by reason of any occurrence described in Section 5.4 or 8.1 hereof, to be deposited in the Construction Fund, if received before the Completion Date, or, if received thereafter, to be deposited in a separate fund held by the Trustee. Except as set forth in Section 8.3 hereof, all Net Proceeds so deposited shall be applied to the prompt restoration, modification, improvement, completion or replacement of the Sites and the Facilities upon receipt of requisitions, in substantially the form attached as Exhibit C hereto, acceptable to the Trustee and approved by the County Representative stating with respect to each payment to be made: (a) the requisition number; (b) the name and address of the person, firm or corporation to whom payment is due; (c) the amount

to be paid; (d) applicable sales taxes have not been included; and (e) that each obligation mentioned therein has been properly incurred, is a proper charge against the Construction Fund, or such separate fund, and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall cooperate with the County in the administration of such fund and shall not unreasonably withhold its approval of requisitions under this Section 8.2. Any restoration, modification, improvement, completion or replacement paid for in whole or in part from such Net Proceeds shall be the property of the County, subject to the Deed of Trust, and shall be included as part of the Sites and the Facilities under this Contract.

Section 8.3. Discharge of the Obligation of the County To Repair and Replace the Sites and the Facilities. The County may discharge its obligation under Section 8.2 hereof by causing the Net Proceeds to be applied to the prepayment of the Advance in accordance with Section 3.4(b) hereof; provided, however, that the amount of the Net Proceeds from any particular occurrence shall equal or exceed \$500,000. In the event the Net Proceeds shall exceed the Advance in accordance with Section 3.4(b) hereof, such excess shall be paid to or retained by the County.

Within one hundred twenty (120) days of the occurrence of an event specified in Section 8.1 hereof, the County shall commence the restoration, modification, improvement, completion or replacement of the Sites and the Facilities, or shall elect, by written notice to the Trustee, to proceed under the provisions of this Section 8.3. For purposes of this Section, "commence" shall include the retention of an architect or engineer duly licensed in the State in anticipation of restoration, modification, improvement, completion or replacement of the Sites and the Facilities.

Section 8.4. Cooperation of the Corporation. The Corporation shall cooperate fully with the County and the Trustee in filing any proof of loss with respect to any insurance policy covering the events described in Section 8.1 hereof, and hereby assigns to the Trustee any interest it may have in such policies or rights of action for such purposes. In no event shall the Corporation or the County voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim with respect to the Sites or the Facilities without the written consent of the other or the Trustee as the Corporation's assignee.

ARTICLE IX

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 9.1. Representations, Warranties and Covenants of the County. The County represents, warrants and covenants to the Corporation and to the Trustee for the benefit of the Owners (all such representations, warranties and covenants being continuing) that:

- (a) The County is a duly organized and validly existing political subdivision of the State and has all powers necessary to enter into the transactions contemplated by this Contract and the Deed of Trust and to carry out its obligations hereunder and under all related documents to which it is a party;

(b) The County agrees that during the term of this Contract it will take no action that would adversely affect its existence as a political subdivision in good standing in the State, cause the County to be consolidated with or merged into another political subdivision or municipal corporation of the State or permit one or more other political subdivisions or municipal corporations of the State to consolidate with or merge into it, unless the political subdivision or municipal corporation of the State created thereby expressly assumes in writing the County's obligations hereunder;

(c) This Contract, the Deed of Trust and all other documents relating hereto and the performance of the County's obligations hereunder and thereunder have been duly and validly authorized, executed and delivered by the County and approved under all laws, regulations and procedures applicable to the County including, but not limited to, compliance with public meeting and bidding requirements, and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and such principles of equity as a court having jurisdiction may impose;

(d) No approval or consent is required from any governmental authority with respect to the entering into or performance by the County of this Contract, the Deed of Trust and all other documents related thereto and the transactions contemplated hereby and thereby or, except as provided herein, if such approval is required, it has been duly obtained;

(e) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or, to the best of the County's knowledge, threatened, against or affecting the County challenging the validity or enforceability of this Contract, the Deed of Trust or any other documents relating hereto and the performance of the County's obligations hereunder and thereunder, and compliance with the provisions hereof or thereof, under the circumstances contemplated hereby or thereby, does not and will not in any material respect conflict with, constitute on the part of the County a breach of or default under, or result in the creation of a lien or other encumbrance on any property of the County (except as contemplated herein or therein) pursuant to any agreement or other instrument to which the County is a party, or any existing law, regulation, court order or consent decree to which the County is subject;

(f) Neither the execution and delivery of this Contract or the Deed of Trust or the consummation of the transactions contemplated hereby or thereby, nor the fulfillment of or compliance with the terms and conditions hereof or thereof conflicts with or results in a breach of the terms, conditions, or provisions of any restriction or any agreement or instrument to which the County is now a party or by which the County is bound or constitutes a default under any of the foregoing, or conflicts with or results in a violation of any provision of law governing the County and no representation, covenant and warranty herein is false, misleading or erroneous in any material respect;

(g) There are no liens or encumbrances on the Sites other than the lien created by the Deed of Trust and the other liens or encumbrances permitted thereby;

(h) The resolutions relating to the performance by the County of this Contract, the Deed of Trust and the transactions contemplated hereby and thereby, have been duly adopted, are in full force and effect, and have not been in any respect modified, revoked or rescinded;

(i) The design, acquisition, construction, renovation, equipping and use of the Facilities are essential to the proper, efficient and economical operation of the County and the delivery of its services and the Facilities will provide essential uses and permit the County to carry out public functions that it is authorized by law to perform;

(j) The County will fully and faithfully perform all the duties and obligations which the Corporation has covenanted and agreed in the Indenture to cause the County to perform and any duties and obligations which the County or the Corporation is required in the Indenture to perform, except for any duty or undertaking of the Corporation which by its nature cannot be delegated or assigned;

(k) The County reasonably believes that sufficient funds will be available to acquire and construct the Facilities and to satisfy all of its obligations hereunder;

(l) The County shall (1) cause the Budget Officer to include the Installment Payments and estimated Additional Payments coming due in each fiscal year in the initial annual budget for such fiscal year submitted to the County Board of Commissioners, (2) require the Budget Officer to use his or her best efforts to obtain appropriations therefor, (3) use the moneys appropriated by the County in a fiscal year to make the Installment Payments and Additional Payments and for no other purpose, and (4) if an Event of Non-Appropriation has occurred, promptly give notice thereof to the Local Government Commission, the Corporation, the Trustee and the Certificate Insurer, provided that any budget item so included may be deleted from the County's budget only by adoption of a resolution to such effect containing the reasons therefor, which resolution shall be adopted by roll call vote and spread upon the minutes of the Board;

(m) To the best of the County's knowledge, the Sites are in compliance with all federal, state and local environmental laws and regulations, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), Public Law No. 96-510, 94 Stat. 2767, 42 U.S.C. 9601 et seq., the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), Public Law No. 99-499, 100 Stat. 1613, the Clean Air Act, the Clean Water Act and the Federal Insecticide, Fungicide and Rodenticide Act of 1975;

(n) (i) To the best of the County's knowledge, there are no hazardous materials, substances, wastes or other environmentally regulated substances (including, without limitation, any materials containing asbestos, except as otherwise disclosed) located on, in or under the Sites or used in connection therewith, or (ii) the County has fully disclosed to the Corporation and the Trustee in writing the existence, extent and

nature of any such hazardous materials, substances, wastes or other environmentally regulated substances, which the County is legally authorized and empowered to maintain on, in or under the Sites or use in connection therewith, and the County has obtained and will maintain all licenses, permits and approvals required with respect thereto, and is in compliance with all of the terms, conditions and requirements of such licenses, permits and approvals;

(o) The County will promptly notify the Corporation and the Trustee of any change in the nature or extent of any hazardous materials, substances or wastes maintained on, in or under the Sites or used in connection therewith, and will transmit to the Corporation and the Trustee copies of any citations, orders, notices or other material governmental or other communication received from any governmental agency, any lessee, any sublessee, any third party or any other source with respect to any other hazardous materials, substances, wastes or other environmentally regulated substances affecting the Sites;

(p) The County shall not cause or permit the installation, storage, treatment, disposal, release, or threatened release of hazardous materials or substances or other environmentally regulated substances in, on, at or from the Sites and the Facilities, and the Sites and the Facilities shall be kept free of the presences of such materials and substances, except for (1) small quantities in retail containers of substances normally used for upkeep and maintenance of buildings such as the Facilities, and (2) quantities and substances necessary and proper for the contemplated uses of the Facilities, all of which the County covenants will be stored, used and disposed of properly; and

(q) The County will conduct and complete all investigations, studies, sampling and testing and all remedial, removal and other actions necessary to clean up and remove all hazardous materials or substances or other environmentally regulated substances in, on, from or affecting the Sites and the Facilities as required for complete removal and/or remediation in accordance with all applicable federal, State and local laws, ordinances, rules, regulations and policies.

Section 9.2. Representations and Warranties of the Corporation. The Corporation represents and warrants to the County and the Trustee as follows:

(a) The Corporation is a nonprofit corporation duly organized, existing and in good standing under and by virtue of the laws of the State; has the power to enter into this Contract and the Indenture; is possessed of full power to own and hold real and personal property and to lease and sell the same; and has duly authorized the execution and delivery of all of the aforesaid documents. This Contract and the Indenture constitute the legal, valid and binding agreements of the Corporation enforceable in accordance with their respective terms, except to the extent limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the rights of creditors generally.

(b) Neither the execution and delivery of this Contract or the Indenture, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the

consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of the articles of incorporation or bylaws of the Corporation or any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

(c) No litigation is now pending or, to the best of the Corporation's knowledge, threatened in any court seeking to restrain or enjoin the authorization, execution or delivery of the Certificates or their validity, or the creation, organization, corporate existence or powers of the Corporation, or the title of any of the present officers thereof to their respective titles or the authority or proceedings for the execution and delivery of the Contract or the Indenture by the Corporation or which would materially adversely affect the ability of the Corporation to perform its obligations hereunder or thereunder.

ARTICLE X

TAX COVENANTS

The County covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest components of the Installment Payments under the Code. The County will not directly or indirectly use or permit the use of any moneys in any fund created under the Indenture or any funds of the County, or take or omit to take any action that would cause the Installment Payments to be an "arbitrage bond" within the meaning of Section 148(a) of the Code. The County will comply with all requirements of Section 148 of the Code to the extent applicable. The County further covenants that the Installment Payments are not "private activity bonds" as defined in Section 141 of the Code.

The County covenants to do and perform all acts and things permitted by law and necessary to assure that interest components of the Installment Payments be and remain excluded from gross income of the Owners thereof for federal income tax purposes pursuant to the Code.

Without limiting the generality of the foregoing, the County agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Installment Payments from time to time. This covenant shall survive the payment in full of all obligations under this Contract.

Notwithstanding any provision of this Article, if the County shall provide to the Trustee an opinion of LeBoeuf, Lamb, Greene & MacRae LLP or other nationally recognized bond counsel, to the effect that any action required under this Article is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest components of the Installment Payments pursuant to the Code, the County and the Trustee may rely conclusively on such opinion in complying with the provisions hereof.

ARTICLE XI

INDEMNIFICATION

To the extent permitted by law and except as provided in this Contract, the County covenants to defend, indemnify and hold harmless the Corporation, the Trustee and the trustee under the Deed of Trust and their directors and employees and the Local Government Commission and its members and employees (each an "Indemnified Party") against any and all losses, claims, damages or liabilities, joint or several, including reasonable fees and expenses incurred in connection therewith, to which the Indemnified Party may become subject under any statute or at law or in equity or otherwise in connection with the transactions contemplated by this Contract and shall reimburse the Indemnified Party for any reasonable legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of the transactions contemplated by this Contract. In particular, without limitation, the County, to the fullest extent permitted by law, shall and hereby agrees to indemnify and save the Indemnified Party harmless from and against all claims, losses and damages, including reasonable legal fees and expenses, arising out of (1) the use, maintenance, condition or management of the Sites and the Facilities, or any work or thing done on the Sites and at the Facilities by the County, (2) any act or negligence of the County or of any of its elected officials, agents, contractors, servants or employees with respect to the Sites and the Facilities, (3) any act or negligence of any assignee or sublessee of the County with respect to the Sites and the Facilities, (4) the acquisition, installation, construction and equipping of the Facilities or the authorization of payment of the Costs of Construction by the County, or (5) the presence, escape, seepage, leakage, discharge, emission, release or threatened release, or disposal of any hazardous materials. To the extent permitted by law, the obligations of the County under this paragraph shall survive any event of default by the County under this Contract and the payment in full of all other obligations of the County under this Contract.

ARTICLE XII

DISCLAIMER OF WARRANTIES

THE CORPORATION AND THE TRUSTEE MAKE NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, AS TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE SITES OR THE FACILITIES OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE SITES OR THE FACILITIES.

ARTICLE XIII

DEFAULTS AND REMEDIES

Section 13.1. Definition of Event of Default. The County shall be deemed to be in default hereunder upon the happening of any of the following events of default (each, an "Event of Default"):

(a) The County shall fail to make any Installment Payment when due or any Additional Payment within fifteen (15) days after the same shall have become due;

(b) An Event of Non-Appropriation shall occur;

(c) The County shall fail to perform or observe any term, condition or covenant of this Contract on its part to be observed or performed, other than as referred to in (a) above, or of the Deed of Trust on its part to be observed or performed, or shall breach any warranty by the County herein or therein contained, other than as referred to in (f) below, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied shall have been given to the County by the Trustee or the Certificate Insurer unless the Trustee and the Certificate Insurer shall agree in writing to an extension of such time prior to its expiration;

(d) The County shall fail to pay when due any principal of or interest or prepayment premium on any general obligation bonds of the County;

(e) Any bankruptcy, insolvency or reorganization proceedings or similar litigation shall be instituted by or against the County, or a receiver, custodian or similar officer shall be appointed for the County or any of its property, and such proceedings or appointments shall not be vacated or fully stayed within sixty (60) days after the institution or occurrence thereof;

(f) Any warranty, representation or statement made by the County in this Contract, the Deed of Trust or in any other document executed or delivered in connection herewith is found to be incorrect or misleading in any material respect on the date made; or

(g) An attachment, levy or execution is levied upon or against the Sites and/or the Facilities or any part thereof which substantially impairs or interferes with the use thereof or adversely affects the security interest in the Facilities and the Sites.

Section 13.2. Remedies on Default. Upon the occurrence of any Event of Default, the Trustee will, if requested in writing by the Certificate Insurer or the Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding with the consent of the Certificate Insurer, exercise any one or more of the following remedies as directed by the Certificate Insurer or Owners in such writing:

(a) Declare the unpaid portion of the Advance immediately due and payable without notice or demand to the County;

(b) Proceed by appropriate court action to enforce performance by the County of the applicable covenants of this Contract or to recover for the breach thereof;

(c) Exercise all the rights and remedies of a secured party or creditor under the Uniform Commercial Code of the State and the general laws of the State with respect to the enforcement of the security interest granted or reserved hereunder; or

(d) Enforce its security interest or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust or to exercise any other right or remedy under the Deed of Trust.

In the event of any reorganization or liquidation, the Certificate Insurer shall have the right to vote on behalf of all Owners who hold Series 2006A Certificates insured under the Certificate Insurance Policy absent a default by the Certificate Insurer under such Certificate Insurance Policy. In addition, any reorganization or liquidation plan must be acceptable to the Certificate Insurer.

Notwithstanding any other provisions herein, it is the intent of the parties hereto to comply with General Statutes of North Carolina Section 160A-20. No deficiency judgment may be entered against the County in favor of the Trustee in violation of Section 160A-20 including, without limitation, any deficiency judgment for breach of any contractual obligation authorized under Section 160A-20 when the sale of all or any portion of the Sites or the Facilities is insufficient to produce enough money to pay in full all remaining obligations under this Contract.

Section 13.3. Further Remedies. All remedies of the Trustee are cumulative and may be exercised concurrently or separately. The exercise of any one remedy shall not be deemed an election of such remedy or preclude the exercise of any other remedy.

Section 13.4. Agreement to Pay Attorneys' Fees and Expenses. To the extent permitted by law, in the event either party hereto should default under any of the provisions hereof and the non-defaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained herein, the defaulting party agrees that it will pay on demand to the non-defaulting party or its assignees the reasonable fees of such attorneys and such other reasonable expenses so incurred by the non-defaulting party or its assignees.

Section 13.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed a waiver of any other breach hereunder.

Section 13.6. Consent of Certificate Insurer. Anything contained herein to the contrary notwithstanding, so long as the Certificate Insurance Policy remains in force and the Certificate Insurer is not in default with respect thereto, upon the occurrence and continuance of an Event of Default hereunder, the Certificate Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under this Contract, including without limitation: (i) the right to accelerate the principal of the Advance and (ii) the right to annul any declaration of such acceleration. The Certificate Insurer shall also be entitled to approve all waivers of Events of Default.

ARTICLE XIV

ASSIGNMENT

Section 14.1. Assignment by the County. Subject to Section 7.2 hereof, the County agrees not to sell, assign, lease, sublease, pledge or otherwise encumber or suffer a lien or encumbrance upon or against any interest in this Contract or the Sites or the Facilities (except for the lien and security interest of the Corporation therein) without the Trustee's prior written consent and the Certificate Insurer's prior written consent.

Section 14.2. Assignment by the Corporation. The Corporation has assigned to the Trustee all of its interest in the Sites and the Facilities and this Contract (other than its rights under Article XI, its rights to receive notices and those Additional Payments payable to the Corporation under this Contract), including without limitation, the Corporation's rights to receive the Installment Payments. The County hereby consents to such assignment.

ARTICLE XV

LIMITED OBLIGATION OF THE COUNTY

NOTWITHSTANDING ANY PROVISION OF THIS CONTRACT, THE INDENTURE OR THE DEED OF TRUST THAT MAY BE TO THE CONTRARY, NO PROVISION OF THIS CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. NO PROVISION OF THIS CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS OR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THIS CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE COUNTY FOR ANY FISCAL YEAR IN WHICH THIS CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, ANY FAILURE OR REFUSAL BY THE COUNTY TO APPROPRIATE FUNDS, WHICH RESULTS IN THE FAILURE BY THE COUNTY TO MAKE ANY PAYMENT COMING DUE HEREUNDER WILL IN NO WAY OBLIVATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF THIS CONTRACT, THE INDENTURE OR THE DEED OF TRUST AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS DUE UNDER THIS CONTRACT. NO PROVISION OF THIS CONTRACT, THE INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED TO PLEDGE OR TO CREATE A LIEN ON ANY CLASS OR SOURCE OF THE COUNTY'S MONEYS, NOR SHALL ANY PROVISION OF THIS CONTRACT, THE INDENTURE OR THE DEED OF TRUST RESTRICT THE FUTURE ISSUANCE OF ANY OF THE COUNTY'S BONDS OR OTHER OBLIGATIONS PAYABLE FROM ANY CLASS OR SOURCE OF THE COUNTY'S

MONEYS. TO THE EXTENT OF ANY CONFLICT BETWEEN THIS ARTICLE AND ANY OTHER PROVISION OF THIS CONTRACT, THE INDENTURE OR THE DEED OF TRUST, THIS ARTICLE SHALL TAKE PRIORITY.

ARTICLE XVI

JOINDER BY THE TRUSTEE

The Trustee hereby executes this Contract to signify its agreement to be bound to the terms of this Contract applicable to it.

ARTICLE XVII

MISCELLANEOUS

Section 17.1. Waiver. No covenant or condition of this Contract may be waived except by the written consent of the Corporation, the Certificate Insurer and the Trustee. Any failure of the Corporation, the Certificate Insurer or the Trustee to require strict performance by the County or any waiver by the Corporation, the Certificate Insurer or the Trustee of any terms, covenants or agreements herein shall not be construed as a waiver of any other breach of the same or any other term, covenant or agreement herein.

Section 17.2. Severability. If any provision of this Contract is determined to be invalid under any applicable law, such provision shall be deemed void and the remainder of this Contract shall continue in full force and effect.

Section 17.3. Governing Law. This Contract shall be construed, interpreted and enforced in accordance with the laws of the State.

Section 17.4. Notices. Any and all notices, requests, demands, and other communications given under or in connection with this Contract shall be effective only if in writing and either personally delivered or mailed by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to the Corporation, address to:

Henderson County Governmental Financing Corporation
100 North King Street
Hendersonville, NC 28792
Attention: President

If to the County, address to:

County of Henderson
100 North King Street
Hendersonville, NC 28792
Attention: County Manager

With copy to:

Henderson County Attorney
100 North King Street
Hendersonville, NC 28792
Attention: Legal Department

If to the Trustee, address to:

First-Citizens Bank & Trust Company
100 E. Tryon Road
Corporate Trust DAC 61
Raleigh, NC 27603
Attention: Corporate Trust Department

If to the Certificate Insurer, address to:

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Attention: Surveillance Department

The Corporation, the County, the Certificate Insurer and the Trustee may, by written notice to the others, designate any further or different addresses to which subsequent notices, requests, demands or other communications shall be sent. A copy of each notice, request, demand or other communication sent to the Corporation or the Trustee shall at the same time be sent to the Trustee or the Corporation, as the case may be, and to the Certificate Insurer.

Section 17.5. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Contract.

Section 17.6. Entire Contract. This Contract, together with the schedules and Exhibits hereto, constitutes the entire Contract between the parties and this Contract shall not be modified, amended, altered or changed except by written agreement signed by the parties with the prior written consent of the Certificate Insurer.

Section 17.7. Binding Effect. Subject to the specific provisions of this Contract, this Contract shall be binding upon and inure to the benefit of the parties and their respective successors and assigns (including expressly any successor of the Trustee).

Section 17.8. Time. Time is of the essence in this Contract and each and all of its provisions.

Section 17.9. If Payment or Performance Date a Sunday or Legal Holiday. If the date for making payment, or the last date for performance of any act or the exercising of any right, as

provided in this Contract, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Contract, and no interest shall accrue for the period after such nominal date.

Section 17.10. Covenants of County, Corporation or Local Government Commission not Covenants of Officials Individually. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the County, the Corporation or the Local Government Commission in his individual capacity, and neither the members of the Board of Commissioners of the County, the Board of Directors of the Corporation nor any other officer of the County, the Corporation or the Local Government Commission shall be subject to any personal liability or accountability by reason of the execution and delivery of the Certificates. No member of the Board of Commissioners of the County, the Board of Directors of the Corporation or any officer, agent or employee of the County, the Corporation or the Local Government Commission shall incur any personal liability in acting or proceeding or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Contract or the Indenture.

Section 17.11. Term; Amounts Remaining in Funds. It is agreed by the parties hereto that this Contract shall remain in full force and effect until ten days after payment in full of the Certificates (or provision for payment thereof having been made in accordance with the provisions of this Contract or the Indenture including any amounts owed to the Certificate Insurer) and fees and expenses of the Trustee in accordance with this Contract and the Indenture. Any amounts remaining in the Certificate Fund, the Construction Fund, the Prepayment Fund or any other fund or account created under the Indenture, upon termination of this Contract and the Indenture, shall be paid to the County by the Trustee as an overpayment of Installment Payments in accordance with the terms of the Indenture.

Section 17.12. Amendments. Except as otherwise provided in this Contract or in the Indenture, subsequent to the execution and delivery of the Certificates and prior to payment in full of the Certificates and any Additional Certificates, this Contract may not be effectively amended.

Section 17.13. Execution in Counterparts. This Contract may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 17.14. Parties Interested Herein. Nothing in this Contract expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the County, the Trustee, the Corporation, and the registered Owners of the Certificates, any right, remedy or claim under or by reason of this Contract or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Contract contained by and on behalf of the County shall be for the sole and exclusive benefit of the County, the Trustee, the Corporation, and the registered Owners of the Certificates.

Section 17.15. Certificate Insurer as Third-Party Beneficiary. To the extent that this Contract gives or grants to the Certificate Insurer any right, remedy or claim under or by reason of this Contract, the Certificate Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 17.16. References to Certificate Insurer. All references to the Certificate Insurer contained herein shall be disregarded and deemed to have been deleted if the Certificate Insurer is then in default with respect to its obligations under the Certificate Insurance Policy or is insolvent or in bankruptcy.

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed as of the day and year first above written.

HENDERSON COUNTY GOVERNMENTAL
FINANCING CORPORATION

(SEAL)

By: _____
President

Attest:

By: _____
Secretary

COUNTY OF HENDERSON,
NORTH CAROLINA

(SEAL)

By: _____
William L. Moyer
Chairman of the
Board of Commissioners

Attest:

By: _____
Elizabeth W. Corn
Clerk to the Board
of Commissioners

Accepted:

FIRST-CITIZENS BANK & TRUST COMPANY,
as Trustee

By: _____
Vice President

This Contract has been approved under the provisions of Article 8, Chapter 159 of the General Statutes of North Carolina, T. Vance Holloman, Secretary, Local Government Commission.

By _____

PAYMENT SCHEDULE

<u>DATE</u>	<u>PRINCIPAL COMPONENT OF INSTALLMENT PAYMENTS</u>	<u>INTEREST COMPONENT OF INSTALLMENT PAYMENTS</u>	<u>TOTAL</u>
11/15/07			
05/15/08			
11/15/08			
05/15/09			
11/15/09			
05/15/10			
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05/15/23			
11/15/23			
05/15/24			
11/15/24			
05/15/25			
11/15/25			
05/15/26			
TOTAL	\$ _____	\$ _____	\$ _____

EXHIBIT A

DESCRIPTION OF FACILITIES

The Facilities consist of the following:

Sugarloaf Road Elementary School Project. An approximately 93,110 square foot elementary school for approximately 600 students to be located at 2270 Sugarloaf Road in Hendersonville, North Carolina.

Mills River Elementary School Project. An approximately 84,812 square foot elementary school (which includes the improvements financed with proceeds of the Certificates) for approximately 600 students located at 96 School House Road in Horse Shoe, North Carolina.

Historic County Courthouse Project. The Henderson County Courthouse Building located at 100 Main Street in Hendersonville, North Carolina.

Blue Ridge Community College Technology Building Project. An approximately _____ square foot technology education and development building located on the campus of the Blue Ridge Community College at 100 Alumni Way in Flat Rock, North Carolina.

EXHIBIT B

DESCRIPTION OF SITES

- Tract 1: Sugarloaf Road Elementary School Property
- Tract 2: Mills River Elementary School Property
- Tract 3: Historic County Courthouse Property

Tract 1

Property Description of Dana Elementary School Property

[To Be Provided]

Tract 2

Property Description of Mills River Elementary School Property

[To Be Provided]

Tract 3

Property Description of Historic County Courthouse Property

[To Be Provided]

EXHIBIT C

FORM OF REQUISITION

First-Citizens Bank & Trust Company
100 E. Tryon Road
Corporate Trust DAC 61
Raleigh, North Carolina 27603
Attention: Corporate Trust Department

Re: Direction to Make Disbursements from the
Installment Financing Contract Construction Fund

Ladies and Gentlemen:

Pursuant to Section 3.07 of the Indenture of Trust dated as of June 1, 2006 (the "Indenture") between the Henderson County Governmental Financing Corporation (the "Corporation") and First-Citizens Bank & Trust Company, as trustee (the "Trustee"), and Section 4.3 of the Installment Financing Contract dated as of June 1, 2006 (the "Contract") between the Corporation and the County of Henderson, North Carolina (the "County"), you are hereby directed to disburse from the Construction Fund referred to in the Indenture (the "Construction Fund") the amount indicated below.

As required by the Contract, the undersigned hereby certifies:

1. This is requisition number _____ from the Construction Fund.
2. The name and address of the person, firm or corporation to whom the disbursement is due is as follows:

3. The amount to be disbursed is \$_____.
4. The purpose of the disbursement is to _____.
5. The disbursement herein requested is for an obligation properly incurred, is a proper charge against the Construction Fund as a Cost of Construction, will not be used for the

payment of any sales tax and such obligation has not been the basis of any previous disbursement.

Dated this _____ day of _____, _____.

COUNTY OF HENDERSON,
NORTH CAROLINA

By: _____
County Representative

COLLATERAL IS OR INCLUDES FIXTURES

Prepared by LeBoeuf, Lamb, Greene & MacRae LLP
 125 West 55th Street
 New York, NY 10019-4513

Return to: Charles Russell Burrell, Esq.
 Henderson County
 100 N. King Street
 Hendersonville, NC 28792

DEED OF TRUST AND SECURITY AGREEMENT

STATE OF NORTH CAROLINA
COUNTY OF HENDERSON

THIS DEED OF TRUST AND SECURITY AGREEMENT, dated as of June 1, 2006 (the "Deed of Trust"), from the COUNTY OF HENDERSON, NORTH CAROLINA, a body politic and corporate organized and existing under the constitution and laws of the State of North Carolina (the "County") to Charles Russell Burrell, Esq., 100 N. King Street, Hendersonville, North Carolina 28792, as trustee (the "Deed of Trust Trustee"), for the benefit of HENDERSON COUNTY GOVERNMENTAL FINANCING CORPORATION, a corporation duly organized and existing under the laws of the State of North Carolina with its principal office located in Hendersonville, North Carolina and its successors and assigns hereinafter mentioned (the "Beneficiary").

W I T N E S S E T H:

WHEREAS, the County has entered into an Installment Financing Contract, of even date herewith (the "Contract"), with the Beneficiary pursuant to Section 160A-20 of the General Statutes of North Carolina, as amended, whereby the Beneficiary agrees to advance moneys to the County for the design, acquisition, construction, renovation and/or equipping of the Facilities (as defined in the Contract), and the County agrees to repay the moneys advanced to the County in installments due at the times and in the amounts set forth in the Payment Schedule attached to the Contract (the "Installment Payments") and to make certain Additional Payments (as defined in the Contract) as more fully provided therein;

WHEREAS, in order to provide the moneys to be advanced by the Beneficiary pursuant to the Contract, the Beneficiary has entered into an Indenture of Trust, of even date herewith (the "Indenture"), with First-Citizens Bank & Trust Company, Raleigh, North Carolina as trustee

thereunder (the "Trustee"), which authorizes the execution and delivery of Certificates of Participation (the "Certificates") evidencing assignments of proportionate undivided interests in rights to receive Revenues (as defined in the Contract);

WHEREAS, pursuant to the Contract, the County has delivered this Deed of Trust to secure the repayment by the County of the moneys advanced and all other sums payable under the Contract;

WHEREAS, pursuant to the Indenture, the Beneficiary has assigned to the Trustee substantially all of its rights under this Deed of Trust;

WHEREAS, the real property upon which the Facilities shall be located as described in Schedule I attached hereto is as of the date hereof owned by the County in fee simple;

WHEREAS, the County has agreed to pay to the Beneficiary the sum of \$[____] for money advanced, as evidenced by, and payable as provided in, the Contract, with interest payable as specified therein, with the last Installment Payment of principal and interest being due and payable on June 1, 2026.

WHEREAS, to further assure that the County shall have available sufficient amounts to pay the cost of the design, acquisition, construction, installation and equipping of the Facilities, the Indenture provides that the Beneficiary may, under the conditions set forth in the Indenture, make additional advances evidenced by Additional Certificates (as defined in the Indenture), to the County to provide sufficient amounts to complete the acquisition, construction, installation and equipping of the Facilities;

WHEREAS, the County desires to secure (i) the payment of the Installment Payments due under the Contract; (ii) the payment by the County of all Additional Payments required to be paid by the County under the Contract and the performance by the County of all the additional covenants of the County set forth in the Contract; (iii) the payment by the County of any additional payments required to be made to the Beneficiary in connection with additional advances made under the Contract; (iv) the payment of any and all other indebtedness which this Deed of Trust by its terms secures; and (v) the performance of the covenants and agreements contained in this Deed of Trust, and any amendments and supplements thereto; and

WHEREAS, the County wishes to grant to the Beneficiary a first lien on, and security interest in, the Mortgaged Property (hereinafter defined), including the real property described in Schedule I attached hereto, pursuant to the terms of this Deed of Trust as security for the payment of the amounts described above and the performance of the covenants described above;

NOW, THEREFORE, the County, subject to Permitted Encumbrances (as described in Schedule II hereto), as security for payment of the Installment Payments and the Additional Payments to be made under the Contract and for the performance by the County of all of its obligations under the Contract, the Indenture and this Deed of Trust, and in further consideration of the sum of \$1.00 paid to the County by the Deed of Trust Trustee, receipt and sufficiency of which are hereby acknowledged, has given, granted, bargained and sold, and by these presents does give, grant, bargain, sell and convey unto the Deed of Trust Trustee, its heirs, successors and assigns, in trust, with power of sale, the real property with easements appurtenant thereto

lying and being in the County of Henderson in the State of North Carolina, comprising so much thereof as constitutes real property or fixtures, and more particularly described as set forth in Schedule I attached hereto and made a part hereof; TOGETHER WITH all buildings, improvements and fixtures of every kind and description now or hereafter erected or located thereon, all rights, appurtenances, easements, privileges, remainders and reversions appertaining thereto and all materials intended for construction, reconstruction, alteration and repair of such buildings and improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the premises hereby conveyed immediately upon the delivery thereof to the aforesaid real property, and all apparatus, equipment, fixtures and articles, and replacements thereof, including, but not limited to, all heating, refrigerating, air conditioning, gas, plumbing and electric apparatus and equipment, all boilers, engines, motors, power equipment, piping and plumbing fixtures, pumps, tanks, lighting equipment and systems, fire prevention and sprinkling equipment and systems, and other things now or hereafter thereon or therein, including interests of any owner thereof in any of such items, and all renewals or replacements thereof or articles in substitution thereof; TOGETHER WITH all proceeds of any of the foregoing real property, fixtures and other property, including, without limitation, proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including, without limitation, all awards and other payments as a result of or in lieu or in anticipation of the exercise of the right of condemnation or eminent domain by any governmental authority ("Eminent Domain"), all insurance proceeds and claims therefor as a result of damage to or destruction of all or any part of any of the foregoing, and all proceeds of title insurance with respect to all or any part of any of the foregoing (the property, fixtures and proceeds granted to the Deed of Trust Trustee pursuant to the foregoing provisions hereof being collectively referred to as the "Mortgaged Property");

TO HAVE AND TO HOLD the Mortgaged Property, with all the rights, privileges and appurtenances thereunto belonging or appertaining to the Deed of Trust Trustee, its heirs, successors and assigns, in fee simple forever, upon the trusts and for the uses and purposes hereinafter set out;

AND THE COUNTY COVENANTS to and with the Deed of Trust Trustee and the Beneficiary that the County is seized of the Mortgaged Property in fee, that the County has the right to convey the Mortgaged Property in fee simple, that the Mortgaged Property is free and clear of all encumbrances and restrictions other than Permitted Encumbrances and that the County does hereby forever warrant and will forever defend the title to the Mortgaged Property against the claims of all persons whomsoever; provided, however, that

THIS CONVEYANCE IS MADE UPON THIS SPECIAL TRUST, that: if the County shall make the payments required under the Contract secured hereby in accordance with its terms, together with interest thereon, or provide for such payments as set forth in Article VI of the Indenture, and all taxes, charges, assessments and any premiums for insurance hereby secured, and, further, shall comply with all the covenants, terms and conditions of this Deed of Trust, the Contract and the Indenture, and any amendments and supplements thereto, and the Certificates shall have been paid in full (other than with proceeds of the Certificate Insurance Policy as defined in the Indenture), or provision for such payment shall have been made as set forth in Article VI of the Indenture, then this conveyance shall be null and void and may be canceled of record at the request and at the cost of the County.

This Deed of Trust secures an obligation incurred for the construction of improvements on the real property covered hereby and as such constitutes a "construction mortgage" under Section 25-9-313 of the General Statutes of North Carolina.

THE COUNTY FURTHER COVENANTS, REPRESENTS AND AGREES AS FOLLOWS:

Section 1. Amount Secured; Maintenance and Modification of Mortgaged Property by County. This Deed of Trust secures all present and future indebtedness owing by the County under the Contract. The amount of present obligations secured hereby is \$[____] and the maximum principal amount, including present and future obligations, which may be secured hereby at any time is \$100,000,000. The time period within which such future disbursements are to be made is the period between the date hereof and the date fifteen (15) years from the date hereof. The Deed of Trust Trustee shall not be under any obligation to operate, maintain or repair the Mortgaged Property. The County agrees, at its own expense, to: (i) keep the Mortgaged Property in as reasonably safe condition as its operations shall permit; (ii) keep the Mortgaged Property in good repair and in good operating condition; (iii) comply with all applicable governmental requirements imposed upon the Mortgaged Property or in connection with its use; and (iv) make from time to time all necessary repairs thereto and renewals and replacements thereof. This Deed of Trust is intended to comply with the provisions of Sections 45-67 et. seq. of the North Carolina General Statutes, as amended.

The County may, also at its own expense, make from time to time any additions, modifications or improvements to the Mortgaged Property that it may deem desirable for its governmental or proprietary purposes and that do not impair the effective use, nor decrease the value, of the Mortgaged Property. All such additions, modifications and improvements so made by the County within the physical boundaries of the Mortgaged Property shall become a part of the Mortgaged Property. The County will do, or cause to be done, all such things as may be required by law in order fully to protect the security and all rights of the Beneficiary under this Deed of Trust. The County shall not cause or permit the lien of this Deed of Trust to be impaired in any way.

Section 2. Grant and Release of Easements. If no Event of Default under this Deed of Trust shall have occurred and shall continue to exist, the County may at any time or times grant easements, licenses, rights of way and other rights or privileges in the nature of easements with respect to any part of the Mortgaged Property and the County may release existing interests, easements, licenses, rights of way and other rights or privileges with or without consideration, and the Beneficiary agrees that it shall execute and deliver and will cause, request or direct the Deed of Trust Trustee to execute and deliver any instrument reasonably necessary or appropriate to grant or release any such interest, easement, license, right of way or other right or privilege but only upon receipt of (i) a copy of the instrument of grant or release, (ii) a written application signed by the County requesting such instrument, and (iii) a certificate executed by the County that the grant or release (a) is not detrimental to the proper conduct of the operations of the County at the Mortgaged Property and (b) will not impair the effective use, nor decrease the value, of the Mortgaged Property.

Section 3. Remedies of the Deed of Trust Trustee Upon Default.

(a) If any of the following events shall occur:

(i) an Event of Default under the Contract or the Indenture;

(ii) failure by the County to observe and perform any warranty, covenant, condition or agreement on the part of the County under this Deed of Trust for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the County by the Beneficiary and the Certificate Insurer (as defined in the Indenture) unless the Beneficiary with the consent or at the direction of the Certificate Insurer shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be reasonably corrected within the applicable period, and if corrective action is instituted by the County within the applicable period and diligently pursued, the County shall have an additional period of 60 days following such written notice to correct the failure; or

(iii) any lien, charge or encumbrance prior to or affecting the validity of this Deed of Trust is found to exist, other than Permitted Encumbrances, or proceedings are instituted to enforce any lien, charge or encumbrance against any of said Mortgaged Property and such lien, charge or encumbrance would be prior to the lien of this Deed of Trust;

then and in any of such events (hereinafter referred to as an "Event of Default"), all payments under the Contract shall, at the option of the Beneficiary, become at once due and payable regardless of the maturity date or other due date hereof. To the extent permitted by law, neither the advance of funds by the Beneficiary under any of the terms and provisions hereof nor the failure of the Beneficiary to exercise promptly any right to declare the maturity of the Contract under any of the foregoing conditions shall operate as a waiver of the Beneficiary's right to exercise such option thereafter as to any past or current default.

(b) Upon the occurrence of an Event of Default:

(i) To the extent permitted by law, the Deed of Trust Trustee shall have the right to enter upon the Mortgaged Property to such extent and as often as the Beneficiary or the Deed of Trust Trustee, in their sole discretion, deem necessary or desirable in order to cure any default by the County. The Beneficiary and the Deed of Trust Trustee may take possession of all or any part of the Mortgaged Property and may hold, operate, lease and manage the same, and from time to time make all needful repairs and improvements as shall be deemed expedient by the Beneficiary or the Deed of Trust Trustee; and the Beneficiary and the Deed of Trust Trustee may lease any part of the Mortgaged Property in the name of and for the account of the County, and collect, receive and sequester the rent, revenues, earnings, income, products and profits therefrom, and out of the same and from any moneys received from any receiver or any part thereof pay, and set up proper reserves for the payment of, all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Beneficiary and the Deed of Trust Trustee, its agents and counsel, and any charges of the Beneficiary hereunder

and any taxes and assessments and other charges prior to the lien of this Deed of Trust which the Beneficiary or the Deed of Trust Trustee may deem it proper to pay, and all expenses of such repairs and improvements, and apply the remainder of the moneys so received in accordance with the provisions hereof.

To the extent permitted by law, the Beneficiary and the Deed of Trust Trustee shall have the right to the appointment of a receiver to collect the rents and profits from the Mortgaged Property without consideration of the value of the Mortgaged Property, and all amounts collected by the receiver shall, after expense of the receivership, be applied to the payment of the indebtedness hereby secured. If such receiver should be appointed or if there should be a sale of the Mortgaged Property, as provided below, the County, or any person in possession of the premises thereunder, as tenant or otherwise, shall become a tenant at will of the receiver or of the purchaser and may be removed by a writ of ejectment, summary ejectment or other lawful remedy.

(ii) The Beneficiary and the Deed of Trust Trustee shall have the right to assign to any other person, for lawful consideration, any rents, revenues, earnings, income, products and profits receivable under this Deed of Trust, provided that the proceeds of any such assignment shall be applied as provided in this Deed of Trust.

(iii) The Deed of Trust Trustee is hereby authorized and empowered, upon application of the Beneficiary, to expose to sale and to sell the Mortgaged Property or such part or parts thereof or interests therein as the Beneficiary may select at public auction for cash, and upon collection of the proceeds from such sale to make and deliver a deed therefor, after first having complied with all applicable requirements of North Carolina law with respect to the exercise of powers of sale contained in deeds of trust.

(iv) The Beneficiary may proceed against the fixtures referred to in Section 13 hereof as provided in and in accordance with the applicable provisions of the Uniform Commercial Code as adopted by the State of North Carolina, or, at its election, may proceed and may instruct the Deed of Trust Trustee to proceed as to the portion of the Mortgaged Property constituting real property, in accordance with its rights and remedies with respect thereto and those granted to the Deed of Trust Trustee, all as set forth in this Deed of Trust. Upon the occurrence of an Event of Default, the Beneficiary may collect and sell, lease, or otherwise dispose of all or any part of the fixtures, at public or private sale, for cash or on credit, as a whole or in part, and the Beneficiary may at such sale or sales purchase fixtures or any part thereof. The proceeds of such sale, lease, collection or other disposition shall be applied, first to the costs and expenses of the Beneficiary incurred in connection with such sale, lease, collection or other disposition, and then to such outstanding balance due on any and all indebtedness owed to the Beneficiary. Further, the Beneficiary may require the County to assemble the fixtures, or evidence thereof, and make it reasonably available to the Beneficiary at one or more places to be designated by the Beneficiary which are reasonably convenient to the Beneficiary, and the Beneficiary may take possession of the fixtures and hold, prepare for sale, lease or other disposition and sell, lease or otherwise dispose of the fixtures. Any required notice by the Beneficiary of sale or other disposition or default, when mailed to the County at its address set forth herein, shall constitute reasonable notice to the County. In addition to,

but not in limitation of, any of the foregoing, upon the occurrence of an Event of Default, the Beneficiary may exercise any or all of the rights and remedies afforded to the Beneficiary by the provisions of the North Carolina Uniform Commercial Code, to the extent permitted by law, or otherwise afforded to the Beneficiary under this Deed of Trust, with all such rights and remedies being cumulative and not alternative to the extent permitted by law, and the County agrees to pay the costs and disbursements provided by statute, reasonable attorneys' fees and legal expenses which may be incurred by the Beneficiary.

(v) The County agrees that in the event of any sale hereunder, the Beneficiary shall have the right, to the extent permitted by law, to bid at it and to become the purchaser. The Deed of Trust Trustee may require the successful bidder at any sale to deposit immediately with the Deed of Trust Trustee cash or a certified check in an amount not to exceed five percent of his bid, provided notice of such requirement is contained in the advertisement of the sale. The bid may be rejected if the deposit is not immediately made and thereupon the next highest bidder may be declared to be the purchaser. Such deposit shall be refunded in case a resale is had; otherwise it shall be applied to the purchase price. The sale of the Mortgaged Property or any part thereof or any interest therein, whether pursuant to foreclosure, power of sale or otherwise under this Deed of Trust, shall, upon confirmation of sale to the extent required under applicable law, forever bar any claim with respect to the Mortgaged Property by the County.

(c) Except as set forth in paragraph (d) below, the foregoing shall in no way be construed to limit the powers of sale or to restrict the discretion the Deed of Trust Trustee may have under the provisions of Article 2A of Chapter 45 of the General Statutes of North Carolina, as the same may be from time to time amended. Each legal, equitable or contractual right, power or remedy of the Deed of Trust Trustee now or hereafter provided herein or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy, and the exercise or beginning of the exercise by the Deed of Trust Trustee of any one or more of such rights, powers and remedies shall not preclude the simultaneous or later exercise of any or all such rights, powers and remedies.

(d) NOTWITHSTANDING ANY PROVISION HEREIN, IT IS THE INTENT OF THE PARTIES TO COMPLY WITH THE PROVISIONS OF NORTH CAROLINA GENERAL STATUTES SECTION 160A-20. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN FAVOR OF THE BENEFICIARY IN VIOLATION OF SECTION 160A-20, INCLUDING, WITHOUT LIMITATION, ANY DEFICIENCY JUDGMENT FOR AMOUNTS THAT MAY BE OWED UNDER THE CONTRACT OR THIS DEED OF TRUST WHEN THE SALE OF ALL OR ANY PORTION OF THE PREMISES IS INSUFFICIENT TO PRODUCE ENOUGH MONEY TO PAY IN FULL ALL REMAINING OBLIGATIONS UNDER THE CONTRACT OR THIS DEED OF TRUST. TO THE EXTENT OF ANY CONFLICT BETWEEN THIS PARAGRAPH AND ANY OTHER PROVISION OF THIS DEED OF TRUST, THIS PARAGRAPH SHALL TAKE PRIORITY AND SHALL INCORPORATE HEREIN BY REFERENCE ARTICLE XV OF THE CONTRACT. NOTWITHSTANDING ANY PROVISION TO THE CONTRARY IN THIS DEED OF TRUST, NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY

IN ANY ACTION TO COLLECT ANY OF THE INDEBTEDNESS SECURED BY THIS DEED OF TRUST AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONIES DUE OR SECURED UNDER THIS DEED OF TRUST.

(e) Anything contained herein to the contrary notwithstanding, so long as the Certificate Insurance Policy (as defined in the Indenture) remains in force and the Certificate Insurer is not in default with respect thereto, the Certificate Insurer shall have the right to direct all remedies otherwise available hereunder and the exercise of any remedy hereunder shall be subject to the written consent of the Certificate Insurer.

Section 4. Application of Proceeds. The proceeds of (a) the operation and management of the Mortgaged Property pursuant to Section 3 hereof, (b) any sale of the Mortgaged Property or any interest therein, whether pursuant to foreclosure, power of sale or otherwise, and (c) any insurance policies or Eminent Domain awards or other sums (other than awards or sums to which the County is entitled under the Indenture) retained by the Deed of Trust Trustee upon the occurrence of an Event of Default shall be applied as set forth in this Deed of Trust to pay:

First: The costs and expenses of sale, reasonable attorneys' fees, the Beneficiary's fees and expenses, court costs, any other expenses or advances made or incurred in the protection of the rights of the Beneficiary or in the pursuance of any remedies hereunder;

Second: All taxes and assessments then constituting a lien against said premises other than those advertised and sold subject to;

Third: Any indebtedness secured by this Deed of Trust and at the time due and payable (whether by acceleration or otherwise), including all amounts of principal and interest at the time due and payable with respect to the Installment Payments; and

Fourth: The balance, if any, to the persons then entitled thereto.

Section 5. Deed of Trust Trustee's Commission. In the event of a consummated sale under the power of sale contained herein, the Deed of Trust Trustee's commission shall be equal to its actual costs and expenses, including compensation for its services not to exceed one half of one percent (½ of 1%) of the highest bid at the sale.

It is further provided that in the event foreclosure is terminated upon the request of the County prior to delivery of the deed by the Deed of Trust Trustee, the County shall pay the Deed of Trust Trustee all costs and expenses incident to the foreclosure, including compensation for services, in accordance with the applicable provisions of the General Statutes of North Carolina.

It is further provided that the compensation herein allowed to the Deed of Trust Trustee shall constitute a lien on the Mortgaged Property immediately upon request of sale.

Section 6. General Covenant. The County shall pay the amounts due under the Contract and this Deed of Trust and shall observe and perform all covenants, conditions and agreements contained in the Contract and this Deed of Trust.

Section 7. Payment of Costs, Attorneys' Fees and Expenses. As between the Beneficiary, the Deed of Trust Trustee and the County, the County shall pay any and all costs, attorneys' fees and other expenses of whatever kind incurred by the Beneficiary or the Deed of Trust Trustee in connection with (a) obtaining possession of the Mortgaged Property, (b) the protection and preservation of the Mortgaged Property, (c) the collection of any sum or sums secured hereby, (d) any litigation involving the Mortgaged Property, this trust, any benefit accruing by virtue of the provisions hereof, or the rights of the Deed of Trust Trustee or the Beneficiary, (e) the presentation of any claim under any administrative or other proceeding in which proof of claim is required by law to be filed, (f) any additional examination of the title to the Mortgaged Property which may be reasonably required by the Beneficiary, (g) taking any steps whatsoever in enforcing this Deed of Trust, claiming any benefit accruing by virtue of the provisions hereof, or exercising the rights of the Beneficiary hereunder, or (h) any proceeding, legal or otherwise, which the Beneficiary shall deem necessary to sustain the lien of this Deed of Trust or its priority.

Section 8. Insurance and Taxes. Pursuant to the Contract, the County will obtain and maintain certain insurance and will pay all lawful taxes, assessments and charges, if any, at any time levied or assessed upon or against the Mortgaged Property or any part thereof; provided, however, that nothing contained in this Deed of Trust shall require the maintenance of insurance or the payment of any such taxes, assessments or charges if the same are not required to be paid under the Contract.

Section 9. No Assignment of Mortgaged Property. The County will make no assignment, by operation of law or otherwise, nor convey or otherwise transfer, the Mortgaged Property or any interest therein or part thereof without the prior written consent of the Deed of Trust Trustee, the Beneficiary and the Certificate Insurer. Any assignment, conveyance or transfer of the Mortgaged Property or any part thereof without such prior written consent shall constitute a default hereunder, giving rise to all of the remedies herein provided for an Event of Default.

Section 10. Advances by Beneficiary. The Beneficiary is authorized, for the account of the County, to make any required payments under any lien prior hereto or under this Deed of Trust, the non-payment of which would, as such or with notice or passage of time or both, constitute a default, including but not limited to principal payments, interest payments, premium payments, if any, taxes and insurance premiums. All sums so advanced shall attach to and become part of the debt secured hereby, shall become payable at any time on demand therefor and, from the date of the advance to the date of repayment, any sum so advanced shall bear interest at the rate equal to the prime interest rate of First-Citizens Bank & Trust Company, Raleigh, North Carolina as announced from time to time. The failure to make payment on demand shall constitute a default hereunder, giving rise to all of the remedies herein provided for an Event of Default.

Section 11. The Deed of Trust Trustee. The Deed of Trust Trustee shall be under no duty to take any action hereunder except as expressly required, or to perform any act which would involve him in expense or liability or to institute or defend any suit in respect hereof, unless properly indemnified to his satisfaction by the County or the Beneficiary. All reasonable expenses, charges, counsel fees and other disbursements incurred by the Deed of Trust Trustee in

and about the administration and execution of the trusts hereby created, and the performance of its duties and powers hereunder, shall be secured by this Deed of Trust prior to the indebtedness represented by the Contract, and shall bear interest at the rate equal to the prime interest rate of First-Citizens Bank & Trust Company, Raleigh, North Carolina, as announced from time to time.

Section 12. Substitution for Deed of Trust Trustee. The Beneficiary and its successors and assigns is hereby authorized and empowered at its sole option, without notice and without specifying any reason for such action, to remove any Deed of Trust Trustee or successor hereunder, and in such event or in the event of the death, resignation or other incapacity of the Deed of Trust Trustee, to appoint a successor in his place by an instrument duly recorded in the office of the Register of Deeds of the County in which this Deed of Trust is recorded; then such substitute Deed of Trust Trustee or Deed of Trust Trustees shall thereupon become vested with all the rights, powers, duties and obligations herein conferred upon the Deed of Trust Trustee, it being expressly understood that the rights and powers herein conferred shall be in addition to and not in derogation of, any other rights, powers and privileges under then existing law with reference to the substitution of Deed of Trust Trustees.

Section 13. Security Interest in Fixtures. With respect to any portion of the Facilities which is or may become fixtures, this Deed of Trust shall constitute a financing statement filed as a fixture filing. The lien upon fixtures granted herein and perfected hereby shall be in addition to and not in lieu of any lien upon fixtures acquired under real property law.

Section 14. Release of Mortgaged Property.

(a) The County may request and the Deed of Trust Trustee must release from the lien of this Deed of Trust portions of the Mortgaged Property upon compliance by the County with paragraph (b) below and upon receipt by the Deed of Trust Trustee of consent to such release from the Certificate Insurer.

(b) The County shall provide the Deed of Trust Trustee, the Beneficiary, the Certificate Insurer and the Trustee (i) a certified copy of a resolution adopted by the County Board of Commissioners requesting the release and stating the purpose thereof, (ii) a legal description of the parcels to be released with particular reference to Schedule I hereto and (iii) a certificate issued by an independent appraisal firm certifying that the remaining value of the Mortgaged Property is at least equal to the outstanding par amount of the Certificates.

Section 15. Miscellaneous.

(a) Notices. All notices, approvals, consents, requests and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been given when delivered or mailed by registered or certified mail, postage prepaid, addressed as follows: (a) if to the County, County of Henderson, 100 North King Street, Hendersonville, North Carolina 27892, Attention: County Manager; (b) if to the Beneficiary, Henderson County Governmental Financing Corporation, 100 North King Street, Hendersonville, North Carolina 28792, Attention: President; (c) if to the Deed of Trust Trustee, Charles Russell Burrell, Esq., Henderson County, 100 N. King Street, Hendersonville, North Carolina 28792; (d) if to the Trustee, First-Citizens Bank & Trust Company, 100 E. Tryon Road, Corporate Trust DAC 61,

Raleigh, North Carolina 27603, Attention: Corporate Trust Department; and (e) if to the Certificate Insurer, Ambac Assurance Corporation, One State Street Plaza, New York, New York 10004, Attention: Surveillance Department.

The County, the Deed of Trust Trustee, the Trustee, the Certificate Insurer and the Beneficiary may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed.

(b) Successors and Assigns. This Deed of Trust shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and the Beneficiary and their respective successors and assigns. The County hereby acknowledges that this Deed of Trust is being assigned by the Beneficiary to the Trustee pursuant to the Indenture.

(c) Amendments. Neither this Deed of Trust nor any term or provision hereof may be amended, modified or waived without the prior written consent thereto of the County, the Beneficiary, the Certificate Insurer and the Trustee.

(d) Applicable Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of North Carolina.

(e) Execution in Counterparts. This Deed of Trust may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(f) Severability. In the event any term, provision or covenant herein contained or the application thereof to any circumstances or situation shall be invalid or unenforceable in whole or in part, the remainder hereof and the application of said term or provision or covenant to any other circumstances or situation shall not be affected thereby, and every other term, provision or covenant herein shall be valid and enforceable to the full extent permitted by law.

Section 16. References to Certificate Insurer. All references to the Certificate Insurer contained herein shall be disregarded and deemed to have been deleted if the Certificate Insurer is then in default with respect to its obligations under the Certificate Insurance or is insolvent or in bankruptcy.

IN WITNESS WHEREOF, the County has caused this Deed of Trust to be executed in its name by the Chairman of the Board of County Commissioners and its seal to be impressed hereon and attested by the Clerk to the County Board of Commissioners, all as of the date first above written.

COUNTY OF HENDERSON,
NORTH CAROLINA

[Seal]

By: _____
William L. Moyer
Chairman of the Board of Commissioners

Attest:

By: _____
Elizabeth W. Corn
Clerk, Board of Commissioners

ACKNOWLEDGMENT FOR COUNTY

STATE OF NORTH CAROLINA)
)
 COUNTY OF HENDERSON)

I certify that the following persons personally appeared before me this day, and I have personal knowledge of the identity of the principals; each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: William L. Moyer and Elizabeth W. Corn.

Date: June __, 2006

 (Official Signature of Notary)

_____, Notary Public

My Commission expires: _____

SCHEDULE I

DESCRIPTION OF PROPERTY

Tract 1: Sugarloaf Road Elementary School Property

Tract 2: Mills River Elementary School Property

Tract 3: Historic County Courthouse Property

Tract 1

Property Description of Sugarloaf Road Elementary School Property

[To Be Provided]

Tract 2

Property Description of Mills River Elementary School Property

[To Be Provided]

Tract 3

Property Description of Historic County Courthouse Property

[To Be Provided]

SCHEDULE II

PERMITTED ENCUMBRANCES

"Permitted Encumbrances" include the following:

- (1) this Deed of Trust;
- (2) Liens for ad valorem taxes and assessments, if any, not then delinquent;
- (3) the Lease, by and between the County and the Henderson County Board of Public Education, dated June 1, 2006; and
- (4) any other encumbrances described in the title insurance policy required pursuant to Section 6.5 of the Contract.

HENDERSON COUNTY GOVERNMENTAL FINANCING CORPORATION

AND

FIRST-CITIZENS BANK & TRUST COMPANY

AS TRUSTEE

INDENTURE OF TRUST

**Dated as of
June 1, 2006**

This instrument has been entered into by the within-described parties in order to secure certain Certificates of Participation Evidencing Proportionate Undivided Interests in Rights to Receive Revenues pursuant to an Installment Financing Contract between Henderson County Governmental Financing Corporation and the County of Henderson, North Carolina, executed and delivered in the original aggregate principal amount of \$[_____] as more fully described herein.

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST dated as of June 1, 2006 (the "Indenture"), by and between HENDERSON COUNTY GOVERNMENTAL FINANCING CORPORATION, (the "Corporation") and FIRST-CITIZENS BANK & TRUST COMPANY, as trustee (the "Trustee"), having an office and principal place of business in Raleigh, North Carolina, duly organized and existing under the laws of the State of North Carolina, being authorized to accept and execute trusts of the character herein set out under and by virtue of the laws of the State of North Carolina;

W I T N E S S E T H:

WHEREAS, the County of Henderson, North Carolina (the "County") a political subdivision created and validly existing under the laws of the State of North Carolina (the "State"), for the purposes of providing for the design, acquisition, construction, renovation and equipping of two elementary schools and related facilities for the Henderson County Board of Public Education, the design, acquisition, construction and equipping of a technology and education development building and related facilities for the Blue Ridge Community College, and the design, construction, renovation and equipping of the County Courthouse and related administrative facilities (collectively, the "Facilities"), has entered into a certain Installment Financing Contract dated as of June 1, 2006 (the "Contract") with the Corporation;

WHEREAS, pursuant to the Contract, the County will pay certain Installment Payments in consideration for the Advance (as such terms are defined in the Contract) deposited by the Trustee in the funds and accounts established hereunder in accordance with the terms hereof and of the Contract;

WHEREAS, pursuant to this Indenture, the Corporation's rights under the Contract (except for its rights under Article XI thereof, its rights to receive notices and those Additional Payments payable to the Corporation under the Contract) have been assigned to the Trustee;

WHEREAS, there will be executed and delivered by the Trustee pursuant to this Indenture one or more Certificates of Participation (the "Series 2006A Certificates"), evidencing proportionate undivided interests in rights to receive Revenues pursuant to the Contract, which rights have been assigned to the Trustee by the Corporation (the Series 2006A Certificates and the Additional Certificates referred to below are sometimes collectively referred to as the "Certificates");

WHEREAS, the net proceeds from the sale of the Certificates to the owners of the Certificates (the "Owners") will be disbursed by the Trustee in payment for acquisition, construction, renovation, and equipping of the Facilities, at the discretion of the County (as further provided in the Contract), and other purposes set forth herein;

WHEREAS, pursuant to the Contract, the County has assigned to the Trustee all of the County's right, title and interest in the Construction Contracts and the Plans and Specifications (as such terms are defined in the Contract);

WHEREAS, the Trustee has entered into this Indenture for and on behalf of the Owners, and will hold its rights hereunder, except as otherwise specifically provided herein, for the equal and proportionate benefit of the Owners, and will disburse moneys received by the Trustee in accordance with this Indenture; and

WHEREAS, all things necessary to make the Certificates, when executed and delivered by the Corporation and executed and authenticated by the Trustee as in this Indenture provided, legal, valid and binding assignments of proportionate undivided interests in rights to receive Revenues pursuant to the Contract, as herein provided, and to constitute this Indenture a valid, binding and legal instrument for the payment of the Certificates in accordance with its terms, have been done and performed.

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

That the Corporation, in consideration of the premises and the mutual covenants herein contained and for the benefit of the Owners and the sum of One Dollar (\$1.00) to it duly paid by the Trustee at or before the execution of these presents, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has executed and delivered this Indenture and has granted, warranted, aliened, remised, released, conveyed, assigned, set over and confirmed, and by these presents does grant, warrant, alien, remise, release, convey, assign, set over and confirm unto the Trustee, and to its successors and assigns forever, all and singular the following described property, franchises and income:

(a) All rights, title and interest of the Corporation in the Contract, except its rights under Article XI thereof, its rights to receive notices and those Additional Payments payable under the Contract;

(b) All rights, title and interest of the Corporation in the Deed of Trust; and

(c) All moneys and securities from time to time held by the Trustee under this Indenture in any fund or account and any and all other personal property of every name and nature from time to time hereafter by delivery or by writing of any kind specifically pledged or hypothecated, as and for additional security hereunder, by the Corporation, or by anyone on its behalf, in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

TO HAVE AND TO HOLD the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended to be, to the Trustee and its successors in said trust and assigns forever;

IN TRUST, NEVERTHELESS, upon the terms herein set forth for the equal and proportionate benefit, security and protection of all Owners, without privilege, priority or distinction as to the lien or otherwise of any of the Certificates over any other of the Certificates;

PROVIDED, HOWEVER, that if the principal of the Certificates and the premium, if any, and the interest due or to become due thereon, shall be paid at the times and in the manner mentioned in the Certificates according to the true intent and meaning thereof (other than with

the proceeds of the Certificate Insurance Policy), or provision for such payment shall have been made as set forth in Article VI hereof, and if there are paid to the Trustee all sums of money due or to become due to the Trustee in accordance with the terms and provisions hereof, then upon such final payment this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH and it is expressly declared, that all Certificates executed and delivered and secured hereunder are to be executed, authenticated and delivered and all said property, rights, interests, revenues and receipts hereby pledged and assigned are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Corporation has agreed and covenanted, and does hereby agree and covenant, with the Trustee for the benefit of the Owners, as follows:

ARTICLE I.

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. All words and phrases defined in Article I of the Contract shall have the same meaning in this Indenture. In addition, the following terms, except where the context indicates otherwise, shall have the respective meanings set forth below:

"Additional Certificates" means Certificates executed and delivered in accordance with Section 2.11 hereof.

"Business Day" means a day on which banks in New York, New York or the city in which the Trustee is located are not required or authorized by law or executive order to remain closed.

"Certificate Fund" means the special fund created under Section 3.02 of this Indenture.

"Certificate Insurance Policy" means the financial guarantee insurance policy issued by the Certificate Insurer insuring the payment when due of the principal of and interest on the Series 2006A Certificates.

"Certificate Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor.

"Construction Fund" means the special fund created under Section 3.07 of this Indenture for the purpose of disbursing proceeds derived from the sale of the Certificates in payment of the Costs of Construction.

"Contract" means the Installment Financing Contract dated as of June 1, 2006 between the Corporation and the County and any amendments or supplements thereto including the Payment Schedule and Exhibits attached thereto.

"Corporation Representative" means any person or persons at the time designated to act on behalf of the Corporation for purposes of performing any act on behalf of the Corporation

under the Contract and this Indenture by a written certificate furnished to the County and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation.

"County Representative" means (i) the person or persons at the time designated to act on behalf of the County for the purpose of performing any act under the Contract or this Indenture by a written certificate furnished to the Trustee and the Corporation containing the specimen signature of such person or persons and signed on behalf of the County by the Chairman of the Board of Commissioners of the County, or (ii) if any or all of the County's rights and obligations are assigned under the Contract, the person or persons at the time designated to act on behalf of the County and the assignees.

"Event of Default" means any of those defaults specified in Section 7.01 of this Indenture.

"Facilities" means the Facilities as defined and described in the Contract.

"Federal Securities" means any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America and any certificates or any other evidences of an ownership interest in obligations (either certificated or book-entry form) or in specified portions thereof (which may consist of specified portions of the principal and interest thereon) of the character described in this definition; provided, such obligations are held by the Trustee and are not subject to prepayment or purchase prior to maturity at the option of anyone other than the holder.

"Interest Payment Date" means each June 1 and December 1, beginning December 1, 2006.

"Installment Contract" means the outstanding installment financing contract with First-Citizens Bank & Trust Company, which is related to the Sugarloaf Road Elementary School Site described in Exhibit B to the Contract.

"Opinion of Counsel" means an opinion in writing of legal counsel, who may be counsel to the Trustee, the County or the Corporation.

"Outstanding" or "Certificates Outstanding" means all Certificates which have been executed and delivered, except:

(a) Certificates canceled or which shall have been surrendered to the Trustee for cancellation;

(b) Certificates in lieu of which other Certificates have been authenticated under Section 2.08 or 2.09 of this Indenture;

(c) Certificates which shall have been prepaid as provided in Article IV of this Indenture (including Certificates prepaid on a partial payment as provided in Section 4.01 of this Indenture); and

(d) Certificates which shall be deemed to have been paid under Article VI of this Indenture.

"Owner" or "Owners" means the registered owner or owners of any Certificate fully registered as shown in the registration books of the Trustee.

"Permitted Investments" means, to the extent permitted by law and administrative regulations, as legal investments for the County's funds: (i) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in (ii) below); (ii) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America; (iii) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration (formerly the Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association (GNMA), U.S. Department of Housing & Urban Development (PHA's), Federal Housing Administration, Federal Financing Bank; (iv) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), obligations of the Resolution Funding Corporation (REFCORP), senior debt obligations of the Federal Home Loan Bank System, senior debt obligations of other Government Sponsored Agencies approved by the Certificate Insurer, (v) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.); (vi) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (vii) investments in a money market fund rate "AAAm" or "AAAm-G" or better by S&P; (viii) "Pre-refunded Municipal Obligations" defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (a) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or (b) (1) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in subsection (ii) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (2) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this subsection (viii) on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate (pre-refunded municipal obligations meeting the requirements of this subsection (b) may not be

used without the prior written approval of S&P); (ix) municipal obligations rated "Aaa/AAA" by both Moody's and S&P or general obligations of States with a rating of at least "A2/A" or higher by both Moody's and S&P; (x) investment agreements approved in writing by the Certificate Insurer (supported by appropriate opinions of counsel) with notice to S&P; and (xi) other forms of investments, including repurchase agreements approved in writing by the Certificate Insurer with notice to S&P; and (xii) investments in the North Carolina Cash Management Trust as amended and supplemented; provided, however, that such Permitted Investments are qualified under Section 159-30 of the General Statutes of North Carolina.

"Person" or "persons" means natural persons, firms, associations, corporations and public bodies.

"Prepayment Fund" means the special fund created under Section 3.09 of this Indenture.

"Revenues" means (a) all Net Proceeds not applied to the replacement of the Facilities or the Site; (b) the Installment Payments; and (c) all other revenues derived from the Contract, excluding Additional Payments.

"Trust Estate" means the property assigned to the Trustee pursuant to the granting clauses hereof.

"Value" means the value of any Permitted Investment, calculated as follows:

(a) the value of the securities is computed on the basis of the closing bid price quoted by Interactive Data Systems, Inc.; or

(b) the valuation of the securities is performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

(c) the valuation of the collateral is based on the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by S&P and Moody's. In addition, the dealers must be market makers in the securities being valued;

(d) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and

(e) as to any investment not specified above: the value thereof established by prior agreement between the County, the Trustee and the Certificate Insurer.

Section 1.02. Interpretations. For purposes of this Indenture:

(a) Successors. References to specific persons, positions or officers shall include those who or which succeed to or perform their respective functions, duties or responsibilities.

(b) **Laws.** References to the Code, or to the laws or Constitution of the State, or rules or regulations thereunder, or to a section, division, paragraph or other provision thereof, shall include those laws and rules and regulations, and that section, division, paragraph or other provision thereof as from time to time amended, modified, supplemented, revised or superseded, provided that no such amendment, modification, supplementation, revision or supersession shall be applied to alter the obligation to pay the principal, premium, if any, or interest due and owing on the Certificates Outstanding in the amount and manner, at the times, and from the sources provided in this Indenture, except as otherwise herein permitted.

(c) **Singular/Plural.** Unless the context otherwise indicates, words importing the singular number shall include the plural number and words importing the plural number shall include the singular number.

(d) **Computations.** Unless otherwise provided in this Indenture or the facts shall then be otherwise, all computations required for the purposes of this Indenture shall be made on the assumptions that: (i) all Installment Payments shall be paid as and when the same become due; and (ii) all credits required by this Indenture to be made to any fund or account shall be made in the amounts and at the times required.

(e) **Exclusion of Certificates Held by or for the County.** In determining whether the Owners of the requisite principal amount of Certificates Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Certificates owned by the County shall be disregarded and deemed not to be outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Certificates which the Trustee knows to be so owned shall be disregarded.

(f) **Certificates and Opinions.** Except as otherwise specifically provided in this Indenture, each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include an identification of any certificates or opinions relied on in such certificate or opinion, and a statement: (i) that the person making the certificate or opinion has read the covenant or condition and the definitions herein relating thereto; (ii) as to the nature and scope of the examination or investigation upon which the statements or opinions contained in the certificate or opinion are based; (iii) that in the opinion of such person, he or she has made such examination and investigation as is necessary to enable him or her to express an informed opinion as to whether the covenant or condition has been complied with; and (iv) as to whether, in the opinion of such person, the condition or covenant has been complied with.

(g) **Counsel Opinions.** Any Opinion of Counsel may be qualified by reference to the constitutional powers of the United States of America and the State, the police and sovereign powers of the State, judicial discretion, and bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights and similar matters.

(h) **Consolidated Certifications, Opinions and Instruments.** In any case where several matters are required to be certified by, or covered by an opinion of, any specified

person, it shall not be necessary that all such matters be certified by, or covered by the opinion of, only one such person, or that they be so certified or covered by only one document, but one such person may certify or give an opinion with respect to some matters and one or more other such persons as to other matters, and any such person may certify or give an opinion as to such matters in one or several documents. When any person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, such instruments may, but need not, be consolidated and form one instrument.

(i) Opinions and Certifications of County and the Corporation. Any certificate or opinion of an officer of the County or the Corporation may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based are erroneous. Any such certificate or opinion may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Corporation or the County stating that the information with respect to such factual matters is in the possession of the County or the Corporation, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such factual matters are erroneous.

(j) References to Indenture. The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms refer to this Indenture as a whole and not to any particular article, section or subdivision hereof; and the term "heretofore" means before the date of execution of this Indenture, the term "now" means at the date of execution of this Indenture, and the term "hereafter" means after the date of execution of this Indenture.

(k) Section and Article References. References in this Indenture to Section or Article numbers, without added references to other documents, are to the indicated Sections or Articles in this Indenture.

(l) Gender. Words of the masculine gender include correlative words of the feminine and neuter genders.

(m) Captions. The captions or headings of this Indenture and the table of contents appended to copies hereof are for convenience only and in no way define, limit or describe the scope or intent of any provisions, articles or sections of this Indenture.

(n) Remedies. Nothing expressed or implied in this Indenture is intended or shall be construed to confer upon or to give any Person, other than the County, the Trustee, the Corporation and the Owners of the Certificates, any right, remedy or claim under or by reason of this Indenture or any covenant, agreement, condition or stipulation hereof.

ARTICLE II.

AUTHORIZATION, TERMS, EXECUTION
AND DELIVERY OF CERTIFICATES

Section 2.01. Authorized Amount of Series 2006A Certificates. No Series 2006A Certificates may be executed or delivered hereunder except in accordance with this Article II. The aggregate principal amount of Series 2006A Certificates that may be executed and delivered pursuant to Section 2.07 is \$[_____].

Section 2.02. Execution and Delivery of Series 2006A Certificates. In order to provide funds for the payment of the Costs of Construction and to provide moneys for deposit in the other funds and accounts created hereunder, the Certificates shall be executed and delivered hereunder. The Certificates shall constitute proportionate undivided interests in the right to receive Revenues.

(a) The Series 2006A Certificates shall mature (subject to the right of prior prepayment as hereinafter set forth) on June 1 in each year in the amounts and bear interest (computed on the basis of a 360-day year of twelve 30-day months), payable on each June 1 and December 1, beginning December 1, 2006 from the dates determined as provided below until the principal of said Certificates has been paid in full or duly provided for in accordance with the provisions hereof, as follows:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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[To Be Provided]

(b) The Series 2006A Certificates shall be delivered solely as fully registered Certificates without coupons in the denominations of \$5,000 and any integral multiple thereof. The Certificates shall be lettered "R" and shall be numbered separately from 1 upward.

The Series 2006A Certificates shall be dated as of June 1, 2006, if executed and delivered prior to December 1, 2006, or if executed and delivered on any later date, as of the June 1 or December 1 next preceding their date of execution and delivery, or if executed and delivered on June 1 or December 1, as of such date; provided, however, that if interest on the Certificates shall be in default, Certificates executed and delivered in exchange for Certificates surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the certificates so surrendered.

The Series 2006A Certificates will be delivered by means of a book-entry system with no physical distribution of Series 2006A Certificates made to the public. One Series 2006A Certificate for each maturity will be delivered to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Series 2006A Certificates in principal amounts of \$5,000 or any integral multiple thereof, with transfers of beneficial ownership effected on the records of DTC and its direct participants (the "Direct Participants") and indirect participants (the "Indirect Participants") (collectively, the "DTC Participants") pursuant to rules and procedures established by DTC.

Each Direct Participant will be credited in the records of DTC with the amount of such Direct Participant's interest in the Series 2006A Certificates. Beneficial ownership interests in the Series 2006A Certificates may be purchased by or through Direct Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners will not receive Series 2006A Certificates representing their beneficial ownership interests. The ownership interests of each Beneficial Owner will be recorded through the records of the Direct Participant and the Indirect Participant from which such Beneficial Owner purchased its Series 2006A Certificates. Transfers of ownership interests in the Series 2006A Certificates will be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2005A CERTIFICATES, THE TRUSTEE SHALL TREAT CEDE & CO. AS THE ONLY OWNER OF THE SERIES 2005A CERTIFICATES FOR ALL PURPOSES UNDER THE INDENTURE, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2005A CERTIFICATES, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE TRUSTEE TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THE INDENTURE.

Payments of principal, interest and prepayment premium, if any, with respect to the Series 2006A Certificates, so long as DTC is the only owner of the Series 2006A Certificates, will be paid by the Trustee directly to DTC or its nominee, Cede & Co. DTC will remit such payments to DTC Participants, and such payments thereafter will be paid by Direct Participants and Indirect Participants to the Beneficial Owners. The County, the Corporation and the Trustee

shall not be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Series 2006A Certificates or (b) the County determines that DTC is incapable of discharging its duties or that the continuation of the book-entry system of evidence and transfer of ownership of the Series 2006A Certificates would adversely affect the interests of the Beneficial Owners of the Series 2006A Certificates, the County shall discontinue the book-entry system with DTC. If the County fails to identify another qualified securities depository to replace DTC, the County will cause the Trustee to authenticate and deliver replacement Series 2006A Certificates in the form of fully registered certificates to each Beneficial Owner.

THE COUNTY, THE CORPORATION AND THE TRUSTEE DO NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (a) THE SERIES 2005A CERTIFICATES; (b) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (c) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2005A CERTIFICATES; (d) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED BY THE TERMS OF THE INDENTURE TO BE GIVEN TO OWNERS; (e) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2005A CERTIFICATES; OR (f) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

The Series 2006A Certificates and any premiums on the prepayment thereof prior to maturity are payable in lawful money of the United States of America and at the principal corporate trust office of the Trustee upon presentation and surrender thereof. Interest on Series 2006A Certificates will be paid by the Trustee by check mailed on the Interest Payment Date to each Owner as its name and address appear on the register kept by the Trustee at the close of business on the fifteenth day (whether or not a Business Day) of the month next preceding an Interest Payment Date; provided, however, at the written request of any Owner of at least \$1,000,000 in aggregate principal amount of the Series 2006A Certificates, principal and interest may be payable by wire transfer at the address specified in writing by the Owner by the fifteenth day (whether or not a Business Day) of the month next preceding an Interest Payment Date.

Section 2.03. Limited Obligation. Each Certificate shall evidence a proportionate undivided interest in the right to receive the Revenues. The Certificates are payable solely from the Revenues as, when and if the same are received by the Trustee, which Revenues are to be held in trust by the Trustee for such purposes in the manner and to the extent provided herein. The Certificates do not constitute a debt of the County or any assignee of the County under the Contract. The Certificates are not obligations of the Corporation.

NO PROVISION OF THE CONTRACT, THIS INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. NO PROVISION OF THE CONTRACT, THIS INDENTURE OR THE DEED OF TRUST SHALL BE CONSTRUED OR INTERPRETED AS CREATING A DELEGATION OF GOVERNMENTAL POWERS NOR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE. THIS INDENTURE, THE DEED OF TRUST OR THE CONTRACT SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE COUNTY FOR ANY FISCAL YEAR IN WHICH THE CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, ANY FAILURE OR REFUSAL BY THE COUNTY TO APPROPRIATE FUNDS, WHICH RESULTS IN THE FAILURE BY THE COUNTY TO MAKE ANY PAYMENT COMING DUE UNDER THE CONTRACT WILL IN NO WAY OBLVIATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF THE CONTRACT, THIS INDENTURE OR THE DEED OF TRUST AUTHORIZED BY NORTH CAROLINA GENERAL STATUTES SECTION 160A-20 AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS DUE UNDER THIS INDENTURE, THE DEED OF TRUST OR THE CONTRACT.

Section 2.04. Execution of the Certificates. The Certificates shall be executed on behalf of the Corporation with the manual or facsimile signature of its President or any Vice President and shall have impressed or imprinted thereon, by facsimile or otherwise, the official seal of the Corporation, and be attested with the manual or facsimile signature of its Secretary. In case any officer of the Corporation whose signature or whose facsimile signature shall appear on the Certificates shall cease to be such officer before the authentication of such Certificates, such signature or the facsimile thereof shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until authentication; and any Certificate may be signed on behalf of the Corporation by such persons as are at the time of execution of such Certificate proper officers of the Corporation, even though at the date of this Indenture, such person was not such officer.

Section 2.05. Authentication. No Certificate shall be valid or become obligatory for any purpose or be entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Certificate substantially in the form included in Exhibit A hereto shall have been duly executed by the Trustee and such executed certificate of the Trustee upon any such Certificate shall be conclusive evidence that such Certificate has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Certificate shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Certificates executed and delivered hereunder.

Section 2.06. Form of Certificates. The Certificates shall be substantially in the form set forth in Exhibit A to this Indenture, with such appropriate variations, omissions and insertions as may be permitted or required hereby.

Section 2.07. Delivery of Series 2006A Certificates. Upon the execution and delivery of this Indenture, the Corporation shall execute and deliver the Series 2006A Certificates in the aggregate principal amount of \$[_____] to the Trustee, and the Trustee shall authenticate the Series 2006A Certificates and shall deliver them to the original purchaser thereof as directed by the Corporation as hereinafter in this Section provided.

(a) Prior to the delivery of any of the Series 2006A Certificates, the Trustee shall have received:

(i) an originally executed counterpart of the Contract, this Indenture and the Deed of Trust and a certified copy of the resolution adopted by the governing body of the County, approving the Contract and the Deed of Trust; and

(ii) a request and authorization to the Trustee on behalf of the Corporation and signed by its President or any Vice President to authenticate and deliver the Series 2006A Certificates;

(b) the Trustee shall deliver the Series 2006A Certificates, upon payment to the Trustee of a sum specified in a separate agreement between the Corporation and the Trustee. Such sum shall be applied to pay the Installment Contract and make the appropriate deposits into the Certificate Fund and the Construction Fund pursuant to Article III hereof.

Section 2.08. Mutilated, Lost, Stolen or Destroyed Certificates. If any Certificate is mutilated, lost, stolen or destroyed, a new Certificate of the same series may be executed on behalf of the Corporation, of like date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that the Trustee shall have received indemnity from the Owner of the Certificate satisfactory to it and provided further, in case of any mutilated Certificate, that such mutilated Certificate shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Certificate, that there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee. If any such Certificate has matured, instead of delivering a duplicate Certificate, the Trustee may pay the same without surrender thereof. The Trustee may charge the Owner of the Certificate with its reasonable fees and expenses in this connection.

Section 2.09. Registration of Certificates; Persons Treated as Owners; Transfer of Certificates. Books for the registration and for the transfer of Certificates shall be kept by the Trustee, which is hereby appointed the registrar. Upon surrender for transfer of a Certificate at the principal corporate trust office of the Trustee, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Corporation shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new authenticated and fully registered Certificate or Certificates of the same series.

The Trustee is not required to register the transfer of any Certificates during the period of 15 days next preceding the mailing of notice calling such Certificate for prepayment as herein provided, or after any Certificate has been selected for prepayment.

As to any Certificate, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal or interest on such Certificate shall be made only to or upon the written order of the Owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge such Certificate to the extent of the sum or sums paid.

The Trustee may require the payment, by any Owner requesting transfer of Certificates, of any tax, trustee fee, fee or other governmental charge required to be paid with respect to such transfer. If any transfer requires that more than one Certificate be executed and delivered, the principal of which equal the principal amount of the Certificates surrendered for transfer, an additional fee (including the cost of printing the Certificates, if necessary) will be required.

Section 2.10. Cancellation of Certificates. Whenever any Outstanding Certificates shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment thereof or for or after replacement pursuant to Section 2.08 or 2.09 of this Indenture, such Certificates shall be promptly canceled and burned or otherwise destroyed by the Trustee, and counterparts of a certificate of destruction evidencing such burning or other destruction shall be furnished by the Trustee to the County.

Section 2.11. Additional Certificates. So long as the Contract remains in effect and no Event of Default shall have occurred and be continuing, additional Certificates (the "Additional Certificates") may be executed and delivered upon the terms and conditions provided herein.

Additional Certificates may be delivered by the Trustee at the direction of the Corporation to provide funds to pay any one, or more of the following: (i) the completion of the design, acquisition, construction, installation, and equipping of the Facilities (and costs reasonably related thereto), in excess of the amount available therefor in the Construction Fund pursuant to Section 3.07 of this Indenture; (ii) the making at any time or from time to time of such substitutions, additions, modifications and improvements in, on or to the Facilities as the County may deem necessary or desirable, provided that such changes do not materially change the use of the Facilities; (iii) the refunding of all or any portion of the Certificates then Outstanding; and (iv) the execution, delivery and sale of the Additional Certificates and capitalized interest for such period, and such other costs reasonably related to the financing, as shall be agreed upon by the Corporation and the Trustee.

Additional Certificates may be executed and delivered only upon there being filed with the Trustee:

- (a) originally executed counterparts of a supplemental indenture and an amendment to the Contract adopted in accordance with the requirements of Article IX and approved by the Local Government Commission of the State, if so required by law, including requirements regarding approval of the Owners, if applicable, expressly

providing that, for all the purposes hereof, the property covered by the Contract shall include any property, buildings or equipment being financed by the Additional Certificates, and that the Certificates being executed and delivered as well as any Certificates and Additional Certificates theretofore executed and delivered shall be secured on a parity as hereinafter provided, except that the date or dates of the Additional Certificates, the rate or rates of interest on the Additional Certificates, the time or times of payment of the interest thereon and the principal amount thereof, and provisions for the prepayment thereof, if any, all shall be as provided in the supplemental Indenture and amendment to the Contract, and further providing for an increase or decrease in the Advance, the Installment Payments required or authorized to be paid to the Trustee under the Contract in such amount as shall be necessary to pay (assuming that no Event of Default shall occur), the principal of, premium, if any, and interest on the Additional Certificates and any Additional Payments in connection therewith.

(b) A written opinion or opinions of one or more counsel mutually acceptable to the County, the Corporation and the Trustee, to the effect that the amendment to the Contract and the authentication of the Additional Certificates have been duly authorized, that the amendment to the Contract is valid and enforceable against the County and that the exclusion from gross income for federal income tax purposes of the interest component of the Installment Payments will not be adversely affected by the execution and delivery of the Additional Certificates, and that the sale and delivery of the Additional Certificates will not constitute a default under the Contract or this Indenture or cause any violation of the covenants, agreements or representations herein or therein.

(c) A written order of the Corporation to the Trustee to deliver the Additional Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified sum plus accrued interest, if any.

(d) Approval by the Local Government Commission of North Carolina of the related amendment of the Contract, if required.

(e) Except in the case of a refunding, the Certificate Insurer's written consent to the delivery of the Additional Certificates.

Each of the Additional Certificates executed and delivered pursuant to this Section 2.11 shall evidence a proportionate undivided interest in rights to receive Revenues under the Contract, as amended, proportionately and ratably secured with the Certificates originally executed and delivered and all other series of Additional Certificates, if any, executed and delivered pursuant to this Section 2.11, without preference, priority or distinction of any Certificates or Additional Certificates over any other.

ARTICLE III.

REVENUES AND FUNDS

Section 3.01. Source of Payment of Certificates; Deposit of Certificate Proceeds. The Certificates herein authorized evidence proportionate undivided interests in rights to receive

Revenues under the Contract. Installment Payments, when, as and if received by the Trustee, shall be held hereunder for payment of the principal of, premium, if any, and interest on the Certificates as provided in this Indenture.

An amount equal to the accrued interest, if any, to be paid for the Series 2006A Certificates, delivered pursuant to Section 2.07 hereof, shall be deposited in the Interest Account of the Certificate Fund; and the balance of the proceeds from the sale of the Series 2006A Certificates, delivered pursuant to Section 2.07 hereof, shall be deposited in the Construction Fund to pay and reimburse the Costs of Construction. The proceeds of any Additional Certificates, delivered pursuant to Section 2.11 hereof, shall be applied by the Trustee as directed in a certificate signed by a County Representative.

Section 3.02. Creation of the Certificate Fund. A special fund is hereby created and established with the Trustee, to be designated "County of Henderson, North Carolina Installment Financing Contract Certificate Fund" (the "Certificate Fund"), the moneys in which shall be used to pay the principal of, premium, if any, and interest on the Certificates. Within the Certificate Fund there are hereby created and ordered established an Interest Account and a Principal Account, the moneys in which shall be used as set forth in Section 3.05 of this Indenture.

Section 3.03. Payments Into the Interest Account of the Certificate Fund. There shall be deposited into the Interest Account of the Certificate Fund (a) all accrued interest received at the time of the sale and delivery of the Certificates; (b) that portion of each payment of Installment Payments which is designated and paid as interest under the Contract; (c) investment earnings on the Prepayment Fund, as provided in Section 3.09 of this Indenture; (d) Net Proceeds from any lease of the Facilities or the Site after an Event of Default as directed by the Certificate Insurer; and (e) all other moneys received by the Trustee under this Indenture accompanied by directions from the County that such moneys are to be deposited into the Interest Account of the Certificate Fund.

Section 3.04. Payments Into the Principal Account of the Certificate Fund. There shall be deposited into the Principal Account of the Certificate Fund (a) that portion of each payment of Installment Payments which is designated and paid as principal under the Contract; (b) Net Proceeds from any lease of the Facilities or the Site after an Event of Default; and (c) all other moneys received by the Trustee under this Indenture accompanied by directions from the County that such moneys are to be deposited into the Principal Account of the Certificate Fund.

Section 3.05. Use of Moneys in the Certificate Fund. Moneys in the Interest Account of the Certificate Fund shall be used solely for the payment of the interest on the Certificates. Moneys in the Principal Account of the Certificate Fund shall be used solely for the payment of the principal of the Certificates. Investment earnings on moneys on deposit in the Certificate Fund shall be applied to the next payment of Installment Payments. If the Certificates are to be prepaid in whole pursuant to Section 4.01 of this Indenture, any moneys remaining in the Certificate Fund shall be applied to such prepayment along with other moneys held by the Trustee for such purpose.

Section 3.06. Custody of the Certificate Fund. The Certificate Fund shall be in the custody of the Trustee. The Trustee shall withdraw sufficient funds from the Certificate Fund to

pay the principal of and interest on the Certificates as the same become due and payable, which responsibility, to the extent of the moneys therein, the Trustee hereby accepts.

Section 3.07. Creation of the Construction Fund. A special fund is hereby created and established with the Trustee to be designated "County of Henderson, North Carolina Installment Financing Contract Construction Fund" (the "Construction Fund"). The balance of the proceeds from the initial sale of the Certificates delivered pursuant to Section 2.07 hereof remaining after the deposits set forth in Section 3.01 of this Indenture, shall be deposited in the Construction Fund. In addition, the Trustee shall deposit into the Construction Fund such amounts as the County may designate in a certificate signed by a County Representative in connection with the delivery of the Series 2006A Certificates and of any Additional Certificates pursuant to Section 2.11 hereof. Any moneys held in the Construction Fund shall be invested and reinvested by the Trustee in accordance with this Indenture, and the income therefrom shall be retained in the Construction Fund and used (together with all other moneys held in the Construction Fund) to pay the Costs of Construction attributable to the Facilities, as directed by the County. Moneys held in the Construction Fund shall be disbursed in accordance with the provisions of Section 4.3 of the Contract. The Trustee shall keep and maintain adequate records pertaining to the Construction Fund and all disbursements therefrom as reasonably directed by the County. After the construction, renovation and equipping of the Facilities has been completed and after any amounts in the Construction Fund are deposited to the Certificate Fund, as provided Section 3.08 of this Indenture, the Trustee shall file an accounting thereof with the County.

If an Event of Default hereunder shall have occurred and be continuing, to the extent that moneys in any other Funds or Accounts are not sufficient to pay principal of and interest on the Certificates when due, or upon acceleration, the Trustee shall transfer from the Construction Fund to the Certificate Fund an amount sufficient to remedy such deficiency.

Section 3.08. Application of Construction Fund Subsequent to Completion of Construction. Upon receipt of the certificate required by Section 5.4 of the Contract as to the completion of the acquisition, construction, renovation and/or equipping of the Facilities, the Trustee shall retain in the Construction Fund a sum equal to the amount estimated by the County to be necessary for payment of the Costs of Construction of the Facilities not then due and payable. The balance remaining in the Construction Fund shall be deposited in the Interest Account or the Principal Account of the Certificate Fund, as directed by the County Representative, and applied to the next payment of Installment Payments.

Section 3.09. Creation of the Prepayment Fund. There is hereby created and established with the Trustee the "County of Henderson, North Carolina Installment Financing Contract Prepayment Fund" (the "Prepayment Fund") into which shall be deposited all Net Proceeds required to be deposited therein under Article VIII of the Contract and any other moneys provided by the County as a prepayment of principal components of Installment Payments. Moneys on deposit in the Prepayment Fund shall be disbursed for prepayment of the Certificates as provided in Section 4.01 of this Indenture. Any income from investment of moneys in the Prepayment Fund shall be deposited into the Interest Account of the Certificate Fund and applied to the next payment of the Installment Payments. Whenever any moneys on deposit in the Prepayment Fund are disbursed for prepayment of less than all of the outstanding Certificates, the Installment Payments set forth in the Contract shall be recalculated by the Trustee (on a pro-

rata basis so that following such prepayment the remaining annual payments of principal on the Series 2006A Certificates are proportionate to the initial amounts of such prepayment) to reflect the reduction in the outstanding principal amount of the Certificates after such prepayment. The Installment Payments, as recalculated, shall be payable prior to each Interest Payment Date in amounts equal to the amounts necessary to pay the principal of and interest on the Certificates coming due on such Interest Payment Date.

Section 3.10. Nonpresentment of Certificates; Escheat. If any Certificate is not presented for payment when due, if funds sufficient to pay such Certificate have been made available to the Trustee for the benefit of the Owner thereof, it is the duty of the Trustee to hold such funds without liability for interest thereon, for the benefit of the Owner of such Certificate, who shall be restricted exclusively to such funds for any claim of whatever nature on his or her part under the Contract or this Indenture or on or with respect to such Certificate. Any such funds which shall be so held by the Trustee and which shall remain unclaimed by the Owner of such Certificate for a period of five (5) years after the date on which such Certificate shall have become payable, or for such other period as shall be permitted or required by the laws of the State, shall be treated as abandoned property pursuant to the provisions of Section 116B-53 of the General Statutes of North Carolina, or successor provisions, and the Trustee shall report and remit this property to the Escheat Fund (as defined in Section 116B-5 of the General Statutes of North Carolina) or to such officer, board or body of the State as may then be entitled by law to receive the same. Thereafter the Owner of such Certificate shall look only to the Escheat Fund or to such officer, board or body, as the case may be, for payment and then only to the extent of the amounts so received, without any interest thereon, and the Trustee and the County shall have no responsibility with respect to such funds.

Section 3.11. Moneys To Be Held in Trust; Reports to the County. The ownership of the Certificate Fund, the Construction Fund, the Prepayment Fund and any other fund or account created hereunder or under the Contract shall be in the Trustee, for the benefit of the Owners as specified in the Indenture; provided, however, that, during the term of the Contract, and so long as no Event of Default occurs, the Construction Fund shall also be subject to the beneficial interest of the County, as provided herein and in the Contract. Not less than once during each calendar year, the Trustee shall provide the County with an accounting for all receipts to and disbursements from each Fund.

Section 3.12. Repayment to the County From the Trustee. After payment in full of the Certificates, the interest thereon, any premium thereon, the fees, charges and expenses of the Trustee and all other amounts required to be paid hereunder, any amounts remaining in the Certificate Fund, the Construction Fund, the Prepayment Fund or otherwise held by the Trustee pursuant hereto shall be paid to the County upon the expiration or sooner termination of the Contract as a return of an overpayment of Installment Payments.

Section 3.13. Custody of Separate Trust Fund. The Trustee is authorized and directed to hold all Net Proceeds from any insurance proceeds or condemnation awards and disburse such proceeds in accordance with Section VIII of the Contract. If the County directs that any portion of such Net Proceeds be applied to prepay Certificates in accordance with the Contract, the Trustee covenants and agrees to take and cause to be taken the necessary steps to prepay on the next succeeding prepayment date the amount of Certificates so specified by the County. The

Trustee shall disburse such funds for the restoration of the Facilities upon receipt of any requisition from the County in the manner specified in Section 4.3 of the Contract.

ARTICLE IV.

PREPAYMENT OF CERTIFICATES

Section 4.01. Prepayment Dates and Prices. The Certificates are subject to prepayment, in whole or in part, as follows:

(a) The Series 2006A Certificates maturing on or before June 1, 2016 will not be subject to optional prepayment before maturity. The Series 2006A Certificates maturing on or after June 1, 2017 are subject to prepayment from any available moneys (other than with the proceeds of the Certificate Insurance Policy) in whole or in part on any date selected by the County on or after June 1, 2016 at a prepayment price of 100% of the principal amount of such Series 2006A Certificate so prepaid plus accrued interest to the prepayment date.

(b) If the County elects to prepay the Advance in accordance with Section 3.4(b) of the Contract, the Series 2006A Certificates shall be called for prepayment in whole on any date or in part on the Interest Payment Date selected by the County prior to maturity from the Net Proceeds and any additional moneys available therefor (other than with the proceeds of the Certificate Insurance Policy) in the event that (i) the Facilities are damaged or destroyed or the Site or Facilities are taken in eminent domain, in whole or in part, and (ii) the County elects, pursuant to the Contract, to deposit the Net Proceeds into the Prepayment Fund.

In the event the Series 2006A Certificates are prepaid pursuant to (b) or (c) above, such prepayment will be at a prepayment price equal to 100% of the principal amount thereof plus accrued interest to the prepayment date. If called for prepayment in part, the Series 2006A Certificates to be prepaid shall be prepaid (i) in such manner as the County may direct, in the case of an optional prepayment as described in (a) above and (ii) pro-rata among maturities so that following each prepayment the remaining annual payments of principal on the Series 2006A Certificates (and all Additional Certificates on a parity with the Series 2006A Certificates) are proportionate to the initial amounts of such payments, in the case of an extraordinary prepayment as described in (b) above. If less than all Series 2006A Certificates of any maturity are to be prepaid, the Series 2006A Certificates to be prepaid will be selected by DTC pursuant to its rules and procedures or, if the book-entry system with respect to the Series 2006A Certificates is discontinued as provided in Section 2.02 hereof, by lot within a maturity in such manner as the Trustee in its discretion may determine.

When Certificates are to be prepaid in part, the schedule of Installment Payments set forth in the Contract shall be recalculated as necessary by the Trustee in the manner required by Section 3.09 hereof.

The Trustee shall pay to the Owners of Certificates so prepaid the amounts due on their respective Certificates at the principal corporate trust office of the Trustee upon presentation and

surrender of the Certificates; provided, however, that, if prepaid in part, the Certificates may be prepaid only in multiples of \$5,000. Prepayment payments shall be accompanied by a written designation prepared by the Trustee stating the portion of the payment representing the unpaid principal amount of the Series 2006A Certificates immediately prior to the payment, the portion of the payment representing interest, and the remaining portion, if any, which shall be designated and paid as a prepayment premium.

Section 4.02. Notice of Prepayment. Notice of prepayment shall be given by the Trustee in writing not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for prepayment by first-class mail, postage prepaid (i) to each Owner of the Certificates or portions thereof to be prepaid at the last address shown on the registration books kept by the Trustee; (ii) to The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Facsimile transmission: (516) 227-4008 and (516) 227-4190;

(iii) to at least two national information services:

(a) Financial Information, Inc.'s Daily Called Bond Service, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor;

(b) Kenny Information Service's Called Bond Services, 55 Broad Street, 28th Floor, New York, New York 10004;

(c) Moody's Municipal and Government Called Bond Record, 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Report; and

(d) Standard & Poor's Called Bond Record, 25 Broadway, 3rd Floor, New York, New York 10004;

and (iv) to the Local Government Commission of North Carolina, 4505 Fair Meadow Lane, Suite 102, Raleigh, North Carolina 27607-6449, facsimile transmission: (919) 807-2377.

Such notice shall specify, as may be applicable, (a) that the Series 2006A Certificates or a designated portion thereof are to be prepaid, (b) the numbers of the Series 2006A Certificates to be prepaid, unless all Series 2006A Certificates (or all Series 2006A Certificates of a given maturity) are being prepaid, (c) the date of notice and the date of prepayment, (d) the place or places where the prepayment will be made, and (e) descriptive information regarding the Series 2006A Certificates, including the dated date, interest rates, CUSIP numbers, and stated maturity dates. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount of such Series 2006A Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, provided that sufficient moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable.

Notice of prepayment, other than mandatory sinking fund prepayment and excepting any notice that refers to Certificates that are the subject of an advance refunding, shall be given only if sufficient funds have been deposited with the Trustee to pay the prepayment price of the Certificates to be prepaid.

Neither the failure to mail the notice nor any defect in any notice mailed shall affect the sufficiency of the proceedings for the prepayment of any Certificates as to which no such defect or failure occurred. The actual receipt by any Owner of notice of prepayment shall not be a condition precedent to prepayment, and failure to receive notice shall not affect the validity of the proceedings for the prepayment of the Certificates or the cessation of interest on the prepayment date.

Section 4.03. Prepayments. Before the date fixed for prepayment, funds shall be deposited with the Trustee to pay, and the Trustee is hereby authorized and directed to apply such funds to the payment of, the Certificates called, together with accrued interest thereon to the prepayment date, and any required premium. On the giving of notice and the deposit of such funds as may be available for prepayment pursuant to this Indenture, interest on the Certificates or portions thereof thus called shall no longer accrue after the date fixed for prepayment.

Section 4.04. Cancellation. All Certificates that have been prepaid shall be canceled and destroyed by the Trustee in accordance with Section 2.10 hereof.

Section 4.05. Delivery of New Certificates Upon Partial Prepayment of Certificates. Upon surrender and cancellation of any Certificate called for prepayment in part only, a new Certificate or Certificates of the same series and of the same maturity and of authorized denominations, in an aggregate principal amount equal to the unrepaid portion thereof, shall be executed on behalf of the Corporation and authenticated and delivered by the Trustee. The expenses of such execution, authentication, delivery and exchange shall be paid by the County as Additional Payments under the Contract.

Section 4.06. Prepayment of Additional Certificates. In the event that Additional Certificates are executed and delivered as provided for herein, the provisions relating to the prepayment of such Additional Certificates shall be set forth in a supplement to this Indenture.

ARTICLE V.

INVESTMENTS

Section 5.01. Investment of Moneys. All moneys held as part of the Certificate Fund, the Construction Fund, the Prepayment Fund or any other fund or account created hereunder or under the Contract shall be deposited or invested and reinvested by the Trustee, at the written direction of the County as agent of the Corporation, in deposits or investments, which are Permitted Investments; provided, however, that the Trustee shall make no deposits or investments of any fund or account created hereunder which shall interfere with or prevent withdrawals for payment of the Costs of Construction or for payment of the Certificates at or before maturity or interest thereon as required hereunder. Any and all such deposits or investments shall be held by or under the control of the Trustee. The Trustee may make any and all such deposits or investments through its own investment department or the investment department of any bank or trust company under common control with the Trustee. Except as expressly provided in Article III of this Indenture, deposits or investments shall at all times be a part of the fund or account from which the moneys used to acquire such deposits or investments shall have come, and all income and profits on such deposits or investments shall be credited to,

and losses thereon shall be charged against, such fund or account. Obligations purchased as a deposit or investment of moneys in each fund and account hereunder shall be valued in accordance with Section 5.02 hereof. Where market prices for obligations held hereunder are not readily available, the market price for such obligations may be determined in such manner as the Trustee deems reasonable. The Trustee shall sell and reduce to cash a sufficient amount of such deposits or investments whenever the cash balance in the Construction Fund is insufficient to pay a requisition when presented, and whenever the cash balance in any fund or account created hereunder is insufficient to satisfy the purposes of such fund or account. The Trustee shall deliver copies of the Valuations of investments promptly to the Certificate Insurer.

Section 5.02. Valuation

(a) For the purpose of determining the amount on deposit in any Fund or Account held hereunder, the Trustee shall determine the Value of all Permitted Investments credited to such Fund or Account on the 15th day of October and the 15th day of April in each year, and at such additional times as the County may request.

(b) For the purpose of enabling the County to comply with the covenants contained herein and in the Contract, the Trustee shall additionally determine the "market value," within the meaning of the Code, of all Permitted Investments at such times as the County may reasonably request.

Section 5.03. Arbitrage Certification. In reliance on the County's direction of investments as provided in Section 5.01 of this Indenture, and in reliance on the County's covenant in Article X of the Contract, the Trustee certifies and covenants to and for the benefit of the Owners that so long as any of the Certificates remain Outstanding, moneys in any fund or account held by the Trustee under this Indenture, whether or not such moneys were derived from the proceeds of the sale of the Certificates or from any other source, will not be deposited or invested in a manner which will cause the Certificates to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code.

ARTICLE VI.

DISCHARGE OF INDENTURE

If, when the Certificates secured hereby shall become due and payable in accordance with their terms or otherwise as provided in this Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid (other than with the proceeds of the Certificate Insurance Policy) or provision shall have been made for the payment of the same, together with all other sums payable hereunder, then the right, title and interest of the Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the County to the Trustee and the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon the request of the County, the Trustee shall transfer and convey to the County all property assigned or pledged to the Trustee by the Corporation then held by the Trustee pursuant to this Indenture, and the Trustee shall execute such documents as may be reasonably required by the County and shall turn over to the County any surplus in any fund created under this Indenture.

Outstanding Certificates shall, prior to the maturity or prepayment date thereof, be deemed to have been paid within the meaning and with the effect expressed in this Article VI if (a) in case said Certificates are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to give on a date in accordance with the provisions of Section 4.02 hereof notice of prepayment of such Certificates on said prepayment date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Federal Securities which shall not contain provisions permitting the prepayment thereof at the option of the County, the principal of and the interest on which when due, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the prepayment date or maturity date thereof, as the case may be, and (c) in the event said Certificates are not by their terms subject to prepayment within the next sixty (60) days, the County shall have given the Trustee in form satisfactory to the Trustee (i) irrevocable instructions to give, as soon as practicable in the same manner as the notice of prepayment is given pursuant to Section 4.02 hereof, a notice to the Owners of said Certificates that the deposit required by (b) above has been made with the Trustee and that said Certificates are deemed to have been paid in accordance with this Article and stating such maturity or prepayment date upon which moneys are to be available for the payment of the principal of, premium, if any, and interest on said Certificates, (ii) verification from an independent certified public accountant satisfactory to the Trustee that the moneys or Federal Securities deposited with the Trustee will be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said Certificates on and prior to the prepayment date or maturity date thereof, and (iii) an opinion of nationally recognized bond counsel that such deposit of moneys or Federal Securities will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Certificates. Neither the Federal Securities nor moneys deposited with the Trustee pursuant to this Article VI or principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Certificates; provided any cash received from such principal or interest payments or such Federal Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Federal Securities of the type described in clause (b) of this paragraph maturing at the times and in amounts sufficient (together with any other moneys or Federal Securities then held by the Trustee as described above) to pay when due the principal of, premium, if any, and interest to become due on said Certificates on or prior to such prepayment date or maturity date thereof, as the case may be. At such time as any Certificates shall be deemed paid as aforesaid, such Certificates shall no longer be secured by or entitled to the benefits of this Indenture and the Contract, except for the purpose of exchange and transfer and any payment from such moneys or Federal Securities deposited with the Trustee.

The release of the obligations of the Corporation under this Section shall be without prejudice to the rights of the Trustee under Section 8.02 hereof and Section 4.9 of the Contract to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements incurred with respect to the administration of the trust hereby created and the performance of its powers and duties hereunder. The Corporation shall have no obligation to make any payments to the Trustee hereunder.

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Series 2006A Certificates shall be paid by the Certificate Insurer pursuant to the Certificate Insurance Policy, the Series 2006A Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid under the terms hereof, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the County to the Owners shall continue to exist and shall run to the benefit of the Certificate Insurer, and the Certificate Insurer shall be subrogated to the rights of such Owners.

ARTICLE VII.

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. If any of the following events occur it is hereby defined as and shall be deemed an "Event of Default" under this Indenture:

- (a) Default in the payment of the principal of or premium, if any, on any Certificate when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for prepayment.
- (b) Default in the payment of any installment of interest on any Certificate when the same shall become due and payable.
- (c) The occurrence of an "Event of Default" as provided in Section 13.1 of the Contract.

Section 7.02. Remedies on Default. (a) Upon the occurrence and continuance of an Event of Default, the Trustee may, with the consent of the Certificate Insurer, and shall, at the direction of the Certificate Insurer or by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding, with the consent of the Certificate Insurer, declare the obligations of the County as to Installment Payments, Additional Payments and the aggregate principal amount of Certificates to be immediately due and payable, whereupon they shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Certificates to the contrary notwithstanding.

- (b) The provisions of the preceding paragraph are subject to the condition that if, after the principal of any of the Certificates shall have been so declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, the County shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of the principal of and interest on all Certificates which shall have become due otherwise than by reason of such declaration (with interest upon such overdue installments of interest, at the rate per annum borne by the Certificates) and such amount as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and all Events of Default hereunder other than nonpayment of the principal of the Certificates which shall have become due by said declaration shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its

consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the County and shall give notice thereof by first-class mail to all Owners and the Certificate Insurer; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

The provisions of paragraph (a) are further subject to the condition that any waiver of any event of default under the Contract and a rescission and annulment of its consequences shall constitute a waiver of the corresponding Event of Default under this Indenture and a rescission and annulment of the consequences thereof. If notice of such event of default under the Contract shall have been given as provided herein and if the Trustee shall thereafter have received notice that such event of default shall have been waived, the Trustee shall promptly give written notice of such waiver, rescission or annulment to the County and shall give notice thereof by first-class mail to all Owners and the Certificate Insurer; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) Upon the occurrence and continuance of any Event of Default, then and in every such case the Trustee in its discretion may, with the consent of the Certificate Insurer, and will, upon the written direction of Owners of not less than a majority in aggregate principal amount of the Certificates Outstanding with the consent of the Certificate Insurer or upon request of the Certificate Insurer and receipt of indemnity to its satisfaction, in its own name and as the trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, and require the County to carry out any agreements with or for the benefit of the Owners and to perform its or their duties under the Contract and this Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Contract or this Indenture, as the case may be;

(ii) take whatever action at law or in equity is permissible and may appear necessary or desirable to enforce its rights against the County.

No right or remedy is intended to be exclusive of any other rights or remedies, but each and every such right or remedy shall be cumulative and in addition to any other remedy given hereunder or in the Contract or now or hereafter existing at law or in equity or by statute. If any Event of Default shall have occurred and if requested in writing by the Certificate Insurer or by the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding and indemnified as provided in Section 8.01(n) hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Owners.

Anything contained herein to the contrary notwithstanding, so long as the Certificate Insurance Policy remains in force and the Certificate Insurer is not in default with respect thereto or declared insolvent, upon the occurrence and continuance of an Event of Default hereunder, the Certificate Insurer shall be entitled to control and direct the enforcement of all rights and

remedies granted to the Owners or the Trustee for the benefit of the Owners under this Indenture, including without limitation: (i) the right to accelerate the principal of the Certificates as described in this Section 7.02, and (ii) the right to annul any declaration of such acceleration. The Certificate Insurer shall also be entitled to approve all waivers of Events of Default.

Section 7.03. Majority of Owners May Control Proceedings. Except as otherwise provided herein, the Owners of a majority in aggregate principal amount of the Certificates then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver, and any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions hereof. The Trustee shall not be required to act on any direction given to it pursuant to this Section until the indemnity described in Section 8.01(n) of this Indenture is furnished to it by such Owners.

Section 7.04. Rights and Remedies of Owners. No Owner shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless a default has occurred of which the Trustee has been notified as provided in Section 8.01(h), hereof, or of which by said Section it is deemed to have notice, or unless such default shall have become an Event of Default as defined in Section 7.01 of this Indenture, and the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have made a written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceedings in its own name, or unless they have also offered to the Trustee indemnity as provided in Section 8.01(n) hereof or unless the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by his or her, its or their action or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of the Owners of all Certificates therein outstanding. Nothing contained in this Indenture shall, however, affect or impair the right of any Owner to enforce the payment of the principal of, premium, if any, and interest on any Certificate at and after the maturity thereof.

Section 7.05. Trustee May Enforce Rights Without Certificates. All rights of action and claims under this Indenture or any of the Certificates outstanding hereunder may be enforced by the Trustee without the possession of any of the Certificates or the production thereof in any trial or proceedings relative thereto; and any suit or proceeding instituted by the Trustee shall be brought in its name as the Trustee, without the necessity of joining as plaintiffs or defendants any

Owners of the Certificates, and any recovery of judgment shall be for the ratable benefit of the Owners of the Certificates, subject to the provisions of this Indenture.

Section 7.06. Delay or Omission No Waiver. No delay or omission of the Trustee, the Certificate Insurer or of any Owner to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by this Indenture may be exercised from time to time and as often as may be deemed expedient.

Section 7.07. No Waiver of One Default to Affect Another. No waiver of any default hereunder, whether by the Trustee or the Owners, shall extend to or affect any subsequent or any other then existing default or shall impair any rights or remedies consequent thereon.

Section 7.08. Discontinuance of Proceedings on Default; Position of Parties Restored. If the Trustee has proceeded to enforce any right under this Indenture and such proceedings have been discontinued or abandoned for any reason, or have been determined adversely to the Trustee, then and in every such case the Corporation, the County, the Trustee, the Certificate Insurer and the Owners shall be restored to their former positions and rights hereunder with respect to the Trust Estate, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 7.09. Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default hereunder and its consequences, with the written consent of the Certificate Insurer, and notwithstanding anything else to the contrary contained in this Indenture shall do so upon the written request of the Owners of not less than a majority in aggregate principal amount of all the Certificates then Outstanding and with the written consent of the Certificate Insurer; provided, however, that there shall not be waived without the consent of the Owners of 100% of the Certificates then Outstanding as to which the Event of Default exists (a) any Event of Default in the payment of the principal of or premium on any Outstanding Certificates at the date of maturity specified therein or (b) any default in the payment when due of the interest on any such Certificates, unless prior to such waiver or rescission, all arrears of interest and all arrears of payments of principal and premium, if any, then due, as the case may be (both with interest on all overdue installments at the rate borne by the Certificates), and all expenses of the Trustee in connection with such default shall have been paid or provided for. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Corporation, the County, the Trustee and the Owners shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Section 7.10. Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Certificate Fund and applied as follows:

(a) Unless the principal of all the Certificates shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Certificates, in the order of the maturity of the installments of such interest beginning with the earliest such maturity and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Certificates which shall have become due (other than Certificates matured or called for prepayment for the payment of which moneys are held pursuant to the provisions of this Indenture), in the order of their due dates and beginning with the earliest due date and, if the amount available shall not be sufficient to pay in full Certificates due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To the payment to the persons entitled thereto interest on overdue installments of interest and to the payment to the persons entitled thereto of interest on overdue installments of principal and premium, if any, to the extent permitted by law and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such particular installment, to the persons entitled thereto, without any discrimination or privilege; and

FOURTH - To be held for the payment to the persons entitled thereto as the same shall become due of the principal of, premium, if any, and interest on the Certificates which may thereafter become due either at maturity or upon call for prepayment prior to maturity and, if the amount available shall not be sufficient to pay in full Certificates due on any particular date, together with interest and premium, if any, then due and owing thereon, payment shall be made ratably according to the amount of interest, principal and premium, if any, due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Certificates, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Certificate over any other Certificate, ratably, according to the amounts due, respectively, for principal and interest, to the persons entitled thereto without discrimination or privilege, with interest on overdue installments of interest or principal to the extent permitted by law.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such

date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Owner of any Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever the principal of, premium, if any, and interest on all of the Certificates have been paid under the provisions of this Section 7.10, including any amounts owed to the Certificate Insurer, and all expenses and charges of the Trustee have been paid, any balance remaining in the Certificate Fund shall be paid to the County.

Section 7.11. Consent of the Certificate Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the County must be acceptable to the Certificate Insurer. In the event of any reorganization or liquidation, the Certificate Insurer shall have the right to vote on behalf of all Owners who hold Series 2006A Certificates insured by the Certificate Insurance Policy absent a default by the Certificate Insurer under such Certificate Insurance Policy.

ARTICLE VIII.

CONCERNING THE TRUSTEE

Section 8.01. Duties of the Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture and agrees to perform said trusts (including, without limitation, the delegation to the Trustee by the Corporation of all duties of the Corporation under the Contract), but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into this Indenture against the Trustee:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise as a reasonable and prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to act upon an Opinion of Counsel concerning all matters of trust hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon an Opinion of Counsel and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in good faith in reliance upon such Opinion of Counsel.

(c) The Trustee shall not be responsible for any recital herein or in the Certificates (except in respect to the execution of the certificate of authentication on behalf of the Trustee), or for the recording or rerecording, filing or refiling of the Contract or this Indenture or of any supplements thereto or hereto or instruments of further assurance, or for the validity of the execution by the Corporation of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Certificates executed and delivered hereunder or intended to be secured hereby, or for the value of or title to the Facilities, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Corporation or the County, except as provided herein; but the Trustee may require of the Corporation or the County full information and advice as to the performance of the covenants, conditions and agreements aforesaid. The Trustee shall have no obligation to perform any of the duties of the County under the Contract; and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in good faith as instructed by or approved by the County or the Corporation. The Trustee is not accountable for the use by the County of the proceeds of the Certificates advanced to the County as provided in the Contract.

(d) The Trustee may become the Owner of the Certificates with the same rights which it would have if not the Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate shall be conclusive and binding upon all future Owners of the same Certificate and upon any Certificates executed and delivered in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Corporation by the Corporation Representative, or on behalf of the County by the County Representative or such other person as may be designated for such purpose by a certified resolution, as sufficient evidence of the facts therein contained, and, prior to the occurrence of a default of which the Trustee has been notified as provided in subsection (h) of this Section or of which by said subsection it is deemed to have notice, shall also be entitled to rely upon a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence, willful default or willful misconduct.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except failure by the County or the Corporation to cause to be made any of the payments to the Trustee required to be made by Article III hereof, unless the Trustee shall be specifically notified in writing of such default by the Corporation or the County, the Certificate Insurer or by the Owners of at least 25% in aggregate principal amount of Certificates then Outstanding, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered or express knowledge to the contrary, the Trustee may conclusively assume there is no default except as aforesaid. Any notice of default received by the Trustee pursuant to this paragraph shall be sent by the Trustee to the North Carolina Local Government Commission and the Certificate Insurer.

(i) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent or other paper or document reasonably believed by it to be genuine.

(j) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Indenture or law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(k) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, but shall not be required, to inspect any and all of the property pledged herein, including all books, papers and records of the Corporation or the County pertaining to the Site and the Facilities.

(l) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(m) Notwithstanding anything in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand in respect of the execution and delivery of any Certificates, the withdrawal of any cash, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee deemed desirable for the purpose of establishing the right of the Corporation or the County to the execution and delivery of any Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.

(n) Before taking any action hereunder (except for the acceleration of the Certificates under Section 7.02(a) hereof) the Trustee may require that satisfactory indemnity be furnished to it by the Owners for the reimbursement of all expenses which

it may incur and to protect it against all liability, except liability which may result from its negligence or willful default, by reason of any action so taken.

(o) The Trustee may use the services of an agent to carry out the duties, responsibilities and obligations required of the Trustee hereunder and where the Trustee is required to act, the agent of the Trustee may act in the place and stead of the Trustee; provided, however, that the use of any agent shall not relieve the Trustee of any of its obligations under the Indenture. Where any act is to be performed or any event is to occur under the Indenture at the principal corporate trust office of the Trustee, such act or event may be performed or occur, as the case may be, at the office of the agent of the Trustee.

(p) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written directions of the Certificate Insurer or by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding.

(q) In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Owners, each representing less than a majority of the aggregate principal amount of Certificates then Outstanding, the Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

(r) The Trustee shall have no duty or responsibility to examine or review and shall have no liability for the contents of any documents submitted to or delivered to any Owner in the nature of a preliminary or final placement memorandum, official statement, offering circular or similar disclosure document. The Trustee shall not be liable for any debts contracted or for damages to persons or to personal property injured or damaged, or for salaries or nonfulfillment of contracts, relating to the Facilities. The Trustee shall have no duty to inspect or oversee the construction or completion of the Facilities or to verify the truthfulness or accuracy of the certifications made by the County with respect to the Trustee's disbursements for Costs of Construction in accordance with the terms of the Contract and this Indenture. The Trustee is not required to expend or risk its own funds in the performance of its duties or the exercise of its rights or powers. The Trustee shall not be obligated to effect or maintain insurance or to inquire as to the sufficiency of insurance or file claims for any loss.

Section 8.02. Fees and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for its reasonable fees for its services rendered hereunder as and when the same become due and all expenses reasonably and necessarily made or incurred by the Trustee in connection with such services as and when the same become due as provided in Section 4.9 of the Contract.

Section 8.03. Resignation or Replacement of Trustee. Except during an Event of Default, the present or any future Trustee may resign by giving written notice to the County, the Certificate Insurer and the Corporation not less than 60 days before such resignation is to take effect. The present or any future Trustee may be removed at any time by an instrument in

writing, executed by the Certificate Insurer, by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding or by the County. Any such resignation or removal shall take effect only upon the appointment of a successor Trustee qualified as provided in the third paragraph of this Section 8.03.

In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Owners of a majority in aggregate principal amount of the Certificates then Outstanding by an instrument or concurrent instruments signed by such Owners, or their attorneys-in-fact duly appointed; provided that the Corporation may, by an instrument executed by it, appoint a successor until a new successor shall be appointed by the Owners as herein authorized. The Corporation upon making such appointment shall forthwith give notice thereof to each Owner and the County, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. Any successor so appointed by the Corporation, shall immediately and without further act be superseded by a successor appointed in the manner above provided by the Owners of a majority in aggregate principal amount of the Certificates Outstanding.

Every successor shall always be a bank or trust company in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$100,000,000 and acceptable to the Local Government Commission of North Carolina and the Certificate Insurer. Any successor appointed hereunder shall execute, acknowledge and deliver to the County and to the Corporation an instrument accepting such appointment hereunder, and thereupon such successor shall, without any further act, deed or conveyance, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trust hereunder with like effect as if originally named as Trustee herein; but the Trustee retiring shall, nevertheless, on the written demand of its successor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of the predecessor, which shall duly assign, transfer and deliver to the successor all properties and moneys held by it under this Indenture. Should any instrument in writing from the County or the Corporation be required by any successor for more fully and certainly vesting in and confirming to it, the said deeds, conveyances and instruments in writing shall be made, executed, acknowledged and delivered by the County or the Corporation on request of such successor.

Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Certificate Insurer, shall be appointed.

The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor hereunder, together with all other instruments provided for in this Section shall be filed and/or recorded by the successor Trustee in each recording office, if any, where this Indenture shall have been filed and/or recorded.

Section 8.04. Conversion, Consolidation or Merger of Trustee. Any bank or trust company into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business as a whole shall be the

successor of the Trustee under this Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties hereto or thereto, subject to the third paragraph of Section 8.03. In case any of the Certificates to be executed and delivered hereunder shall have been authenticated, but not delivered, any successor Trustee may adopt the certificate of any successor Trustee, and deliver the same as authenticated; and, in case any of such Certificates shall not have been authenticated, the Trustee may authenticate the Certificates and any successor Trustee may deliver the same in the manner provided in Article II of this Indenture.

Section 8.05. Intervention by Trustee. In any judicial proceeding to which the Corporation or the County is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Owners of the Certificates, the Trustee may, with the written consent of the Certificate Insurer, intervene on behalf of Owners of the Certificates, and shall do so if requested in writing by the Owners of at least 25% in aggregate principal amount in Certificates then Outstanding or the Certificate Insurer.

Section 8.06. Trustee Determination of Adverse Effect on Owners. Notwithstanding any other provision of this Indenture, in determining whether the rights of the Owners will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the Owners as if there were no Certificate Insurance.

Section 8.07. Required Filings. The Trustee shall on an ongoing basis, execute and deliver all documents and make or cause to be made all filings and records necessary or desirable in order to perfect, preserve and protect its interests in the fixtures constituting a portion of the Mortgaged Property (as defined in the Deed of Trust) to the extent possible under applicable law. The Corporation shall cooperate with the Trustee in making the foregoing filings and records.

ARTICLE IX.

SUPPLEMENTAL INDENTURES AND AMENDMENTS OF THE CONTRACT AND THE DEED OF TRUST

Section 9.01. Supplemental Indentures Not Requiring Consent of Owners. The Trustee and the Corporation may, upon notice to the Certificate Insurer and with the written consent of the County but without the consent of, or notice to, the Owners, enter into such indentures or agreements supplemental hereto for any one or more or all of the following purposes:

(a) To add to the covenants and agreements of the Corporation contained in this Indenture other covenants and agreements to be thereafter observed by the Corporation;

(b) To cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in this Indenture, or to make any provisions with respect to matters arising under this Indenture or for any other purpose if such provisions are necessary or desirable and do not adversely affect the interests of the Owners; or

(c) To execute and deliver Additional Certificates as provided in Section 2.11 hereof.

Section 9.02. Supplemental Indentures Requiring Consent of Owners. Exclusive of supplemental indentures covered by Section 9.01 hereof, the written consent of the County, the Certificate Insurer and the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding shall be required for the execution by the Corporation and the Trustee of any indenture or indentures supplemental hereto; provided, however, that without the consent of the Owners of all the Certificates at the time Outstanding affected thereby nothing herein contained shall permit, or be construed as permitting:

(a) A change in the terms of prepayment or maturity of the principal amount of or the interest on any outstanding Certificate, or a reduction in the principal amount of or premium payable upon any prepayment of any Outstanding Certificate or the rate of interest thereon;

(b) The deprivation of the Owner of any Certificate then Outstanding of the lien created by this Indenture;

(c) A privilege or priority of any Certificate or Certificates over any other Certificate or Certificates; or

(d) A reduction in the aggregate principal amount of the Certificates required for consent to such supplemental indenture.

If at any time the County or the Corporation shall request the Trustee to enter into such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed to (i) the Owners of the Certificates then Outstanding at the address shown on the registration books maintained by the Trustee and (ii) the Local Government Commission of North Carolina. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners. If, within sixty (60) days or such longer period as shall be prescribed by the County following the giving of such notice, the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to any of the terms and provisions contained therein, or in the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Corporation from executing the same or from taking any action pursuant to the provisions thereof.

Section 9.03. Execution of Supplemental Indenture. The Trustee is authorized to join with the Corporation in the execution of any such supplemental indenture and to make further agreements and stipulations which may be contained therein, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects its rights, duties or immunities under this Indenture. Any supplemental indenture executed in accordance with the

provisions of this Article shall thereafter form a part of this Indenture; and all the terms and conditions contained in any such supplemental indenture shall be deemed to be part of this Indenture for any and all purposes. In case of the execution and delivery of any supplemental indenture, express reference may be made thereto in the text of the Certificates executed and delivered thereafter, if any, if deemed necessary or desirable by the Trustee.

Section 9.04. Amendments of the Contract and the Deed of Trust Not Requiring Consent of Owners. The Corporation and the Trustee may, upon notice to the Certificate Insurer and with the written consent of the County, but without the consent of or notice to the Owners, consent to any amendment, change or modification of the Contract or the Deed of Trust as may be required (a) by the provisions of the Contract, the Deed of Trust or this Indenture; (b) for the purpose of curing any ambiguity or formal defect or omission in the Contract or the Deed of Trust; (c) in order to more precisely identify the Facilities or to add or substitute Facilities acquired in accordance with the Contract, the Deed of Trust and this Indenture; (d) in order to execute and deliver Additional Certificates as provided in Section 2.11 hereof; or (e) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Owners.

Section 9.05. Amendments of the Contract and the Deed of Trust Requiring Consent of Owners. Except for the amendments, changes or modifications permitted by Section 9.04 hereof, neither the Corporation nor the Trustee shall consent to any other amendment, change or modification of the Contract or the Deed of Trust without the giving of notice thereof to the Owners and the Certificate Insurer and the receipt of written approval or consent of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding and the written approval or consent of the Certificate Insurer given and procured as provided in Section 9.02 hereof. If at any time the County and the Corporation shall request the consent of the Trustee to any such proposed amendment, change or modification of the Contract or the Deed of Trust, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be given in the same manner as provided in Section 9.02 hereof. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the principal corporate trust office of the Trustee for inspection by all Owners.

Section 9.06. Consent of the Certificate Insurer. Any provision of this Indenture expressly recognizing or granting rights in or to the Certificate Insurer may not be amended in any manner which affects the rights of the Certificate Insurer hereunder without the prior written consent of the Certificate Insurer.

ARTICLE X.

CERTIFICATE INSURANCE

Section 10.01. The Certificate Insurance Policy Generally. As long as the Certificate Insurance Policy shall be in full force and effect, the County, the Corporation and the Trustee agree to comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates, the Trustee will determine whether there will be sufficient funds in the funds and accounts established hereby to pay the principal of or interest on the Series 2006A Certificates on such Interest Payment Date. If the Trustee determines that there will be insufficient funds in such funds or accounts, the Trustee shall so notify the Certificate Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series 2006A Certificates to which such deficiency is applicable and whether such Series 2006A Certificates will be deficient as to principal or interest, or both. If the Trustee has not so notified the Certificate Insurer at least one (1) day prior to an Interest Payment Date, the Certificate Insurer will make payments of principal or interest due on the Series 2006A Certificates on or before the first day next following the date on which the Certificate Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Certificate Insurer as provided in (a) above, make available to the Certificate Insurer and, at the Certificate Insurer's direction, to The Bank of New York, as insurance trustee for the Certificate Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the County maintained by the Trustee, and all records relating to the funds and accounts established under this Indenture.

(c) The Trustee shall provide the Certificate Insurer and the Insurance Trustee with a list of Owners entitled to receive principal or interest payments from the Certificate Insurer under the terms of the Certificate Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Owners entitled to receive full or partial interest payments from the Certificate Insurer and (ii) to pay principal due on the Series 2006A Certificates surrendered to the Insurance Trustee by the Owners entitled to receive full or partial principal payments from the Certificate Insurer.

(d) The Trustee shall, at the time it provides notice to the Certificate Insurer pursuant to (a) above, notify the Owners entitled to receive principal or interest payments from the Certificate Insurer (i) as to the fact of such entitlement, (ii) that the Certificate Insurer will remit to them all or a part of the interest payments next coming due upon proof of Owner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Owner's right to payment, (iii) that should they be entitled to receive full payment or principal from the Certificate Insurer, they must surrender their Series 2006A Certificates (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2006A Certificates to be registered in the name of the Certificate Insurer) for payment to the Insurance Trustee, and not the Trustee and (iv) that should they be entitled to receive partial payment of principal from the Certificate Insurer, they must surrender their Series 2006A Certificates for payment thereon first to the Trustee who shall note on such Series 2006A Certificates the portion of the principal paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Series 2006A Certificate which has become due for payment and which is made to an Owner by or on behalf of the Corporation or the County has been deemed a preferential transfer and theretofore recovered from its Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Certificate Insurer is notified pursuant to (a) above, notify all Owners that in the event that any Owner's payment is so recovered, such Owner will be entitled to payment from the Certificate Insurer to the extent of such recovery, if sufficient funds are not otherwise available, and the Trustee shall furnish to the Certificate Insurer its records evidencing the payments of principal of and interest on the Series 2006A Certificates which have been made by the Trustee and subsequently recovered from the Owners and the dates on which such payments were made.

(f) In addition to those rights granted the Certificate Insurer under this Indenture, the Certificate Insurer shall, to the extent it makes payment of principal or of interest on the Series 2006A Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Certificate Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Certificate Insurer's rights as subrogee on the registration books of the County maintained by the Trustee upon receipt from the Certificate Insurer of proof of the payment of interest thereon to the Owners of the Series 2005 Certificates, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Certificate Insurer's rights as subrogee on the registration books of the County maintained by the Trustee upon surrender of the Series 2006A Certificates by the Owners thereof together with proof of the payment of principal thereof.

Section 10.02. The Certificate Insurer Access to Books and Records. The Trustee will permit the Certificate Insurer to have access to and to make copies of all books and records pertaining to the 2005A Certificates at any reasonable time.

Section 10.03. Notices to be Given to the Certificate Insurer. While the Certificate Insurance Policy is in effect, the Trustee shall furnish to the Certificate Insurer:

(a) a copy of any notice to be given to the Owners, including, without limitation, notice of any redemption of or defeasance of the Series 2006A Certificates, and any certificate rendered pursuant to this Indenture relating to the security for the Series 2006A Certificates;

(b) a copy of any notice of any failure of the County to provide relevant notices or certificates to the Trustee;

(c) notwithstanding any other provision of this Indenture, immediate notification if at any time there are insufficient moneys to make any payments of principal and/or interest as required or upon the occurrence of any Event of Default hereunder; and

(d) any additional information which the Certificate Insurer may reasonably request.

Section 10.04. No Acceleration of Principal Without Certificate Insurer Approval. Notwithstanding any other provision hereof, so long as the Certificate Insurer is not in default under the Certificate Insurance Policy, the Trustee shall not, without the prior written approval of the Certificate Insurer, exercise any power hereunder, which is otherwise wholly within its discretion, to advance the normal maturity of the Series 2006A Certificates. If any of the Series 2006A Certificates become payable prior to the normal maturity thereof other than pursuant to the redemption provisions hereof, whether by reason of call for redemption, acceleration or otherwise, the Trustee shall immediately notify the Certificate Insurer of such fact.

Section 10.05. The Certificate Insurer Rights in the Event of Nonpayment. The Certificate Insurer is entitled to the benefit of the following provisions in the event of nonpayment. Notwithstanding any other provision hereof:

(a) The Trustee shall immediately notify the Certificate Insurer of the nonpayment.

(b) The Trustee shall not deposit any money which it may receive from the Certificate Insurer into any fund created hereunder but shall immediately apply all of such moneys to the payment of the principal of or interest on the Series 2006A Certificates then due for payment. The Trustee recognizes that such payment by the Certificate Insurer does not cure the Event of Default resulting from the nonpayment nor relieve the County or the Corporation of any obligation.

(c) The Trustee shall deliver to the Certificate Insurer, uncanceled, all Series 2006A Certificates coming into its possession with respect to which the Certificate Insurer has made payment as provided in the Certificate Insurance Policy. Such Series 2006A Certificates shall be delivered as fully registered Certificates, in accordance with the instructions of the Certificate Insurer.

(d) The Trustee shall recognize the Certificate Insurer as the Owner of each of the Series 2006A Certificates with respect to which it has made payment as provided in the Certificate Insurance Policy for the purpose of exercising all options, votes, rights, powers or the like available to Owners under any provision hereof.

(e) The Certificate Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as an Owner may institute any action under this Indenture.

Section 10.06. The Certificate Insurer Approval of Changes in Terms of Series 2006A Certificates, Indenture or Contract. So long as the Certificate Insurance Policy is in effect and the Certificate Insurer is not in default thereunder and not in receivership, bankruptcy or reorganization, no change in the Series 2006A Certificates, this Indenture or the Contract shall be made without the prior written approval of the Certificate Insurer.

Section 10.07. The Certificate Insurer as Third-Party Beneficiary. To the extent that this Indenture confers upon or gives or grants to the Certificate Insurer any right, remedy or claim under or by reason of this Indenture, the Certificate Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 10.08. Consent of the Certificate Insurer in Addition to Consent of the Owners. Unless otherwise provided in this Indenture, the Certificate Insurer's consent shall be required in addition to consent of the Owners, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture or any amendment, supplement or change to or modification of the Contract; (ii) removal of the Trustee and selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires consent of the Owners.

ARTICLE XI.

MISCELLANEOUS

Section 11.01. Evidence of Signature of Owners and Ownership of Certificates. Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of the execution of any such instrument or of an instrument appointing any such attorney, or the ownership of Certificates shall be sufficient (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may, nevertheless, in its discretion require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Owner or his or her attorney of such instrument may be proved by the certificate of any officer authorized to take acknowledgments in the jurisdiction in which he or she purports to act that the person signing such request or other instrument acknowledged to him or her the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before a notary public.

(b) The ownership of the Certificates shall be proved by the registration books kept under the provisions of Section 2.09 hereof.

Any request or consent of the Owner of any Certificate shall bind all future Owners of such Certificate in respect of anything done or suffered to be done by the County or the Trustee in accordance therewith.

Section 11.02. Covenants of the Corporation. The Corporation agrees that the Trustee as assignee of the Corporation under the Contract may enforce, in its name or in the name of the Corporation, all rights of the Corporation and all obligations of the County under the Contract, for and on behalf of the Owners, whether or not the Corporation is in default under this Indenture. The Trustee and the Corporation hereby agree that the Corporation shall not be

obligated to make any payments or to take any other action with respect to the Site or the Facilities under the Contract.

Section 11.03. Inspection of the Facilities and the Site. The Trustee and the Certificate Insurer and their duly authorized agents shall have the right, on reasonable notice to the County and subject to reasonable security considerations, to examine and inspect the Facilities and the Site. The Trustee and the Certificate Insurer and their duly authorized agents shall also be permitted, at all reasonable times, to examine the books, records, reports and other papers of the County with respect to the Facilities and the Site.

Section 11.04. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to or grant to any person or entity, other than the County, the Corporation, the Trustee, the Certificate Insurer and the Owners, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Corporation or the Trustee shall be for the sole and exclusive benefit of the County, the Corporation, the Trustee, the Certificate Insurer and the Owners.

Section 11.05. Titles, Headings and Captions. The titles, captions and headings of the articles, sections and subdivisions of this Indenture have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

Section 11.06. Severability. In the event any provision of this Indenture shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 11.07. Governing Law. This Indenture shall be governed and construed in accordance with the laws of the State.

Section 11.08. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.09. Notices. All notices, certificates or other communications shall be sufficiently given and shall be deemed given when delivered or mailed by certified or registered mail, postage prepaid, as follows: if to the County, to the County of Henderson, North Carolina, 100 North King Street, Hendersonville, NC 28792, Attention: County Manager; if to the Corporation, to Henderson County Governmental Financing Corporation, 100 North King Street, Hendersonville, NC 28792, Attention: President; if to the Trustee, to First-Citizens Bank & Trust Company, 100 E. Tryon Road, Corporate Trust DAC 61, Raleigh, NC 27603, Attention: Corporate Trust Department; and if to the Certificate Insurer, to Ambac Assurance Corporation, One State Street Plaza, New York, New York 10004, Attention: Surveillance Department. The County, the Corporation, the Certificate Insurer and the Trustee, may by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. A copy of each notice, request, demand or other communication sent to the Corporation or the Trustee shall at the same time be sent to the Trustee or the Corporation, as the case may be.

Section 11.10. Payments Due on Holidays. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture.

Section 11.11. The Corporation, the County, the Certificate Insurer and the Trustee Representatives. Whenever under the provisions hereof the approval of the Corporation, the County, the Certificate Insurer or the Trustee is required, or the County, the Corporation, the Certificate Insurer or the Trustee is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Corporation by a Corporation Representative, for the Certificate Insurer by its authorized representative, for the Trustee by its authorized representative and for the County by a County Representative and the Corporation, the County, the Certificate Insurer and the Trustee shall be authorized to act on any such approval or request.

Section 11.12. References to Certificate Insurer. All references to the Certificate Insurer contained herein shall be disregarded and deemed to have been deleted if the Certificate Insurer is then in default with respect to its obligations under the Certificate Insurance Policy, or is insolvent or in bankruptcy.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Corporation and the Trustee have caused this Indenture to be executed in their respective corporate names and their respective corporate seals to be hereto affixed and attested by their duly authorized officials or officers, all as of the date first above written.

HENDERSON COUNTY GOVERNMENTAL
FINANCING CORPORATION

[SEAL]

Attest:

By: _____
President

Secretary

FIRST-CITIZENS BANK & TRUST COMPANY,
as Trustee

[SEAL]

Attest:

By: _____
Vice President

Assistant Secretary

EXHIBIT A

FORM OF CERTIFICATE

United States of America
State of North Carolina

CERTIFICATE OF PARTICIPATION, SERIES 2006A
(Henderson County Projects)
Evidencing Proportionate
Undivided Interests in
Rights To Receive
Revenues Pursuant to an
Installment Financing Contract
With the County of Henderson, North Carolina

No. R- _____

\$ _____

INTEREST RATE:

MATURITY DATE:

DATED DATE:

CUSIP:

June __, 2006

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

THIS CERTIFIES THAT THE REGISTERED OWNER (named above), or registered assigns, has a proportionate undivided interest in rights to receive certain revenues, as described below, pursuant to a certain Installment Financing Contract dated as of June 1, 2006 (which agreement as from time to time amended is referred to herein as the "Contract"), between Henderson County Governmental Financing Corporation (the "Corporation") and the County of Henderson, North Carolina, a North Carolina political subdivision (the "County"). The interest of such registered Owner of this Certificate of Participation (this "Certificate") is secured as provided in the Contract and in the Indenture of Trust, dated as of June 1, 2006 (which indenture as from time to time amended is herein referred to as the "Indenture"), between the Corporation and First-Citizens Bank & Trust Company, as trustee (the "Trustee") for the registered owners of certificates (the "Owners"), by which the rights, title and interest (with certain exceptions) of the Corporation in the Contract have been assigned to the Trustee for the benefit of the Owners. Pursuant to the Contract and the Indenture, the Owner hereof is entitled to receive, solely out of and to the extent available from the sources hereinafter identified, on the maturity date stated above (or earlier as hereinafter provided), the principal sum stated above, and interest thereon from the Dated Date (shown above) at the interest rate per annum stated above, payable commencing on December 1, 2006 and semiannually thereafter on each June 1 and December 1

in each year. Interest with respect to this Certificate shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of and any premium on this Certificate are payable in lawful money of the United States of America upon presentation and surrender at the principal corporate trust office of the Trustee located in Raleigh, North Carolina, or that of its successor; and interest on this Certificate is payable to the Owner hereof by check of the Trustee, or its successor, to be mailed to the Owner as of the fifteenth day of the month preceding the appropriate interest payment date at his or her address as it last appears in the registration books kept by the Trustee. At the written request of any Owner of at least \$1,000,000 in aggregate principal amount of the Certificates, principal and interest may be payable by wire transfer at the address specified in writing by the Owner.

This Certificate is one of the certificates of participation (the "Certificates") evidencing proportionate undivided interests in rights to receive certain revenues, as defined in the Contract (the "Revenues"), pursuant to the Contract and the Indenture, in an aggregate principal amount of \$[_____] executed and delivered for the purposes, among others, of providing funds (a) for the design, construction, renovation and equipping of two elementary schools and related facilities for the Henderson County Board of Public Education; (b) for the design, construction, renovation and/or equipping of a County Courthouse and administration building and related facilities, (c) the design, acquisition, construction and equipping of a technology and education development building for Blue Ridge Community College (the "Facilities") in the County and (d) for the payment of certain costs incurred in connection with the execution and delivery of this Certificate, including the cost of the premium on the financial guaranty insurance policy to be issued simultaneously with the delivery of this Certificate. Under the Contract, the Corporation has made to the County the Advance (as defined in the Contract), the proceeds from which shall be used to finance the Facilities; and the County has agreed to pay directly to the Trustee semiannual payments (the "Installment Payments") in repayment of the Advance, the proceeds of which are required by the Indenture to be applied by the Trustee to the payment of the principal of, premium, if any, and interest on the Certificates. In addition to the Installment Payments, the County has agreed to make certain other payments (the "Additional Payments") sufficient, among other things, to pay the fees and expenses of the Trustee and the Corporation and other expenses required to be paid by the County under the Contract. The County has covenanted in the Contract to pay the Installment Payments and the Additional Payments as they become due, and executed and pledged in support of that payment obligation the Deed of Trust and Security Agreement (the "Deed of Trust") dated as of June 1, 2006 from the County to the deed of trust trustee named therein for the benefit of the Corporation and assigned by the Corporation to the Trustee. Upon an Event of Default (as defined in the Contract), the principal amount of this Certificate and interest hereon will be payable from such moneys, if any, as may be available for such purpose, including any moneys received by the Trustee from the sale, lease, sublease or other disposition of the Sites (as defined in the Contract) and the Facilities under the Contract.

The Certificates will be delivered by means of a book-entry system with no physical distribution of certificates made to the public. One Certificate for each maturity will be delivered to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Certificates in principal amounts in the denomination of \$5,000 or any integral multiple thereof, with transfers of beneficial ownership effected on the records of DTC and its participants (the "Direct Participants") and indirect participants (the "Indirect Participants") (collectively the "DTC

Participants") pursuant to rules and procedures established by DTC. Principal and interest on the Certificates will be payable to DTC or its nominee as registered owner of the Certificates. The County, the Corporation and the Trustee will not be responsible or liable for maintaining, supervising, or reviewing the records maintained by DTC, the DTC Participants or persons acting through such DTC Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Certificates or (b) the County determines that DTC is incapable of discharging its duties or that the continuation of the book-entry system of evidence and transfer of ownership of the Certificates would adversely affect the interests of the beneficial owners of the Certificates, the County shall discontinue the book-entry system with DTC. If the County fails to identify another qualified securities depository to replace DTC, the Trustee will authenticate and deliver replacement Certificates in the form of fully registered Certificates.

The County, the Corporation and the Trustee do not have any responsibility or obligations with respect to (a) the accuracy of any records maintained by DTC; (b) the payment by DTC of any amount in respect of the principal of and premium, if any, and interest on the Certificates; (c) the delivery or timeliness of delivery by DTC of any notice which is required or permitted under the terms of the Contract or Indenture to be given to Owners; (d) the selection of Owners to receive payments in the event of any partial prepayment of the Certificates; or (e) any consent given or other action taken by DTC or its nominee.

EACH CERTIFICATE EVIDENCES THE ASSIGNMENT OF A PROPORTIONATE UNDIVIDED INTEREST IN THE RIGHT TO RECEIVE REVENUES UNDER THE CONTRACT. THE CERTIFICATES ARE PAYABLE SOLELY FROM REVENUES AS, WHEN AND IF THE SAME ARE RECEIVED BY THE TRUSTEE, WHICH REVENUES ARE TO BE HELD IN TRUST BY THE TRUSTEE FOR SUCH PURPOSES IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE CERTIFICATES SHALL NOT BE CONSTRUED OR INTERPRETED AS CREATING A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY, AS CREATING A DELEGATION OF GOVERNMENTAL POWERS OR AS A DONATION BY OR A LENDING OF THE CREDIT OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF NORTH CAROLINA. THE CERTIFICATES SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE COUNTY FOR ANY FISCAL YEAR IN WHICH THE CONTRACT IS IN EFFECT; PROVIDED, HOWEVER, ANY FAILURE OR REFUSAL BY THE COUNTY TO APPROPRIATE FUNDS, WHICH RESULTS IN THE FAILURE BY THE COUNTY TO MAKE ANY PAYMENT COMING DUE WILL IN NO WAY OBVIATE THE OCCURRENCE OF THE EVENT OF DEFAULT RESULTING FROM SUCH NONPAYMENT. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY IN ANY ACTION FOR BREACH OF A CONTRACTUAL OBLIGATION AUTHORIZED BY NORTH CAROLINA GENERAL STATUTES SECTION 160A-20 AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS DUE UNDER THE CONTRACT. THE CERTIFICATES ARE NOT OBLIGATIONS OF HENDERSON COUNTY GOVERNMENTAL FINANCING CORPORATION.

Reference is hereby made to the Contract, the Deed of Trust and the Indenture for a description of the rights, duties and obligations of the County, the Corporation, the Trustee and the Owners, the terms upon which the Certificates are secured, the terms and conditions upon which the Certificates will be deemed to be paid at or prior to maturity or prepayment of the Certificates upon the making of provision for the full or partial payment thereof, the rights of the Owners upon the occurrence of an Event of Default, and the terms and conditions on which Additional Certificates, on a parity with the Certificates, may be executed and delivered. All capitalized, undefined terms used herein shall have the meanings ascribed thereto in the Contract and the Indenture, as appropriate.

If, when the Certificates secured by the Indenture shall become due and payable in accordance with their terms or otherwise as provided in the Indenture, the whole amount of the principal of, premium, if any, and interest due and payable upon all of the Certificates shall be paid as provided in the Indenture or provision shall have been made for the payment of the same, together with all other sums payable under the Indenture, then the right, title and interest of the Trustee in and to the Trust Estate (as defined in the Indenture) and all covenants, agreements and other obligations of the County to the Trustee and the Owners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon the request of the County, the Trustee shall transfer and convey to the County all property assigned or pledged to the Trustee by the Corporation then held by the Trustee pursuant to the Indenture.

The Certificates are subject to prepayment, in whole or in part, as follows:

(a) The Certificates maturing on or after June 1, 2017 are subject to prepayment in whole or in part on any date selected by the County on or after June 1, 2016. Such prepayment will be made at the prepayment price of 100% of the principal amount of such Certificate so prepaid plus accrued interest to the prepayment date.

The Certificates maturing on or before June 1, 2016 will not be subject to optional prepayment before maturity.

(b) If the County elects to prepay the Advance in accordance with the Contract, the Certificates shall be called for prepayment in whole on any date or in part on any Interest Payment Date selected by the County prior to maturity from the Net Proceeds and any additional moneys available therefor (other than proceeds of Certificate Insurance) in the event that (i) the Facilities are damaged or destroyed or the Sites or Facilities are taken in eminent domain, and (ii) the County elects to apply the net proceeds of any insurance policy on the Facilities or condemnation award to the prepayment of Certificates.

In the event that the Certificates are prepaid, in whole or in part pursuant to (b) above, such prepayment will be made at a prepayment price equal to 100% of the principal amount thereof plus accrued interest to the prepayment date. If called for prepayment in part, the Certificates to be prepaid shall be selected (i) in such manner as the County may direct, in the case of an optional prepayment as described in (a) above and (ii) pro-rata among maturities so that following each prepayment the remaining annual payments of principal on the Certificates (and all Additional Certificates on a parity with the Certificates under the Indenture) are

proportionate to the initial amounts of such payments, in the case of extraordinary prepayment as described in (b) above. If less than all the Certificates of any maturity are to be prepaid, the Certificates to be prepaid will be selected by DTC pursuant to its rules and procedures or, if the book-entry system with respect to the Certificates is discontinued as provided in the Indenture, by lot within a maturity in such manner as the Trustee in its discretion may determine.

When Certificates are prepaid in part, the schedule of Installment Payments set forth in the Contract shall be recalculated as necessary by the Trustee.

In the event any of the Certificates are called for prepayment as aforesaid, the Trustee shall cause notice of the call for prepayment, identifying the Certificates or portions thereof to be prepaid, to be given by first-class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for such prepayment, as provided in the Indenture.

All Certificates called for prepayment shall cease to bear interest after the specified prepayment date, provided that such funds as may be available for their prepayment pursuant to the Indenture are on deposit at the place of payment at that time.

The Trustee shall pay to the Owners of Certificates to be prepaid, or their representatives duly authorized in writing, the amounts due on their respective Certificates upon presentation and surrender at the principal corporate trust office of the Trustee; provided, however, that, if prepaid in part, the Certificates may only be prepaid in multiples of \$5,000.

The Indenture permits amendments thereto and to the Contract and the Deed of Trust upon the agreement of the County and the Trustee and with the approval of the Owners of not less than a majority or, in certain instances, 100% in aggregate principal amount of the Certificates at the time outstanding. The Indenture also contains provisions permitting the Corporation and the Trustee to enter into amendments to the Indenture, the Contract and the Deed of Trust with the consent of the County and the Certificate Insurer, but without the consent of the Owners of the Certificates for certain purposes. The Indenture requires the written consent of the Trustee to any amendment of the Indenture, the Contract or the Deed of Trust which modifies the rights, duties, or immunities of the Trustee.

Any consent or request by the Owner of this Certificate shall be conclusive and binding upon such Owner and upon all future Owners of this Certificate and of any Certificate executed and delivered upon the transfer or exchange of this Certificate, whether or not notation of such consent or request is made upon this Certificate.

This Certificate shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Certificate shall have been authenticated by the execution by the Trustee, or its successors as Trustee, of the certificate of authentication inscribed hereon.

IN WITNESS WHEREOF, HENDERSON COUNTY GOVERNMENTAL FINANCING CORPORATION has caused this Certificate to be executed with the manual or facsimile signature of its President and its corporate seal or a facsimile thereof to be impressed or imprinted thereon and attested with the manual or facsimile signature of its Secretary, as of the dated date referred to above.

HENDERSON COUNTY GOVERNMENTAL
FINANCING CORPORATION

[SEAL]

By: _____
President

Attest:

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Certificates of Participation evidencing a proportionate undivided interest in rights to receive Revenues pursuant to the within-mentioned Contract and Indenture.

First-Citizens Bank & Trust Company, as Trustee

Dated: June __, 2006

By: _____
Authorized Representative

FORM OF ASSIGNMENT

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or typewrite Name and Address,
including Zip Code, and Federal Taxpayer identification or
Social Security Number of Assignee)

the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to register the transfer of the within Certificate on the books kept for registration
thereof, with full power of substitution in the premises.

Dated: _____

In the presence of:

NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program	NOTICE: The signature to the assignment must correspond with the name as it appears on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.
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TRANSFER FEE MAY BE REQUIRED

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No. [_____] (the "Policy") with respect to payments due for principal of and interest on this Certificate has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee.

All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Certificate acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

AMBAC ASSURANCE CORPORATION

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 13, 2006

New Issue
(Book-Entry-Only)

Ratings (Insured): Moody's: Aaa
S&P: AAA
Fitch: AAA
Ratings (Stand-Alone): Moody's: —
S&P: —
Fitch: —

In the opinion of Special Counsel, assuming compliance by the County of Henderson with the Covenant and assuming the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Tax Certificate (as defined herein), under existing law, the portion of each installment payment under the Contract (defined herein) designated as and comprising interest received by the owners of the 2006A Certificates is excluded from gross income of the owners thereof for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). In addition, under existing law, such interest is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in "adjusted current earnings" for purposes of computing the alternative minimum tax that may be imposed on corporations. In the further opinion of Special Counsel, under existing law, the portion of each installment payment designated and paid as interest with respect to the 2006A Certificates is exempt from State of North Carolina taxation. No opinion is expressed as to whether, in the event of non-appropriation, any amounts received by owners of a 2006A Certificate from proceeds of the Policy (as defined herein) would be excluded from gross income for purposes of federal income taxation or be exempt from North Carolina state income taxation. See "LEGAL MATTERS—Tax Treatment" herein.

[\$amount]*

[County Seal]

Certificates of Participation, Series 2006A
(Henderson County Projects)

Evidencing Proportionate Undivided Interests in Rights to Receive
Revenues Pursuant to an Installment Financing Contract with the
COUNTY OF HENDERSON, NORTH CAROLINA

Dated: June 1, 2006

Due: May 1, as shown below

The certificates of participation (the "2006A Certificates") are being executed and delivered pursuant to an Indenture of Trust dated as of June 1, 2006 (the "Indenture") between the Henderson County Governmental Financing Corporation (the "Corporation") and First-Citizens Bank & Trust Company, as trustee (the "Trustee"). The proceeds of the 2006A Certificates will be used to (1) provide funds for the design, acquisition, construction, renovation and equipping of the Facilities (as defined herein) for the County of Henderson, North Carolina (the "County"), and (2) pay certain costs incurred in connection with the execution and delivery of the 2006A Certificates, including the cost of the premium on the financial guaranty insurance policy to be issued simultaneously with the delivery of the 2006A Certificates. The design, acquisition, construction, renovation and equipping of the Facilities are being financed by the County, in part, from the proceeds of the 2006A Certificates pursuant to an Installment Financing Contract dated as of June 1, 2006 (the "Contract") between the Corporation and the County. As security for its obligations under the Contract, the County will execute and deliver to a deed of trust trustee, for the benefit of the Corporation, a Deed of Trust and Security Agreement dated as of June 1, 2006 (the "Deed of Trust") granting, among other things, a lien of record on the real property on which certain of the Facilities are and will be located, including certain of the Facilities (the "Mortgaged Property"), subject to Permitted Encumbrances (as defined in the Deed of Trust). The Corporation will assign substantially all of its rights in the Contract and in the Deed of Trust to the Trustee for the benefit of the owners of the 2006A Certificates.

The 2006A Certificates evidence proportionate undivided interests in rights to receive revenues pursuant to the Contract. The 2006A Certificates will be delivered as fully registered certificates and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the 2006A Certificates will be made in book-entry-only form in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates. Transfers of the 2006A Certificates will be effected through a book-entry-only system as described herein. Payments of interest, premium, if any, and principal with respect to the 2006A Certificates will be made to Cede & Co., as nominee for DTC as registered owner of the 2006A Certificates, by the Trustee, to be subsequently disbursed to the beneficial owners of the 2006A Certificates. Interest is payable each May 1 and November 1, beginning November 1, 2006. Principal is payable, subject to prepayment as hereinafter described, each May 1 in the years and amounts set forth below.

The 2006A Certificates are subject to optional, mandatory and extraordinary prepayment, as described herein.

Payment of the principal of and interest on the 2006A Certificates when due will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the 2006A Certificates by Ambac Assurance Corporation.

[Ambac Logo]

THE PRINCIPAL OR PREPAYMENT PRICE AND INTEREST WITH RESPECT TO THE 2006A CERTIFICATES ARE PAYABLE SOLELY FROM AMOUNTS PAYABLE BY THE COUNTY UNDER THE CONTRACT, AND TO THE EXTENT PROVIDED IN THE INDENTURE, CERTAIN PROCEEDS OF THE SALE OF THE 2006A CERTIFICATES, CERTAIN NET PROCEEDS (AS DEFINED IN THE INDENTURE), IF ANY, AND CERTAIN AMOUNTS REALIZED FROM ANY SALE OR LEASE OF THE MORTGAGED PROPERTY. NEITHER THE CONTRACT NOR THE 2006A CERTIFICATES NOR THE INTEREST WITH RESPECT THERETO CREATES A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION. NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR ANY AMOUNTS THAT MAY BE OWED BY THE COUNTY UNDER THE CONTRACT, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY OR CONTINGENTLY TO SECURE ANY MONEYS OWING BY THE COUNTY UNDER THE CONTRACT AND DUE THE OWNERS OF THE 2006A CERTIFICATES. See the caption "SECURITY AND SOURCES OF PAYMENT OF 2006A CERTIFICATES" herein.

MATURITY SCHEDULE*

<u>DUE MAY 1</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>	<u>DUE MAY 1</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>
2007	\$			2017	\$		
2008				2018			
2009				2019			
2010				2020			
2011				2021			
2012				2022			
2013				2023			
2014				2024			
2015				2025			
2016							

[all serials?]

(plus accrued interest from June 1, 2006)

The 2006A Certificates are offered, subject to prior sale, when, as and if delivered by the Trustee and accepted by the Underwriters, subject to the opinion of LeBoeuf, Lamb, Greene & MacRae, L.L.P., New York, New York, Special Counsel. Certain legal matters will be passed on for the County by the Office of the County Attorney, Hendersonville, North Carolina; for the Corporation by its counsel, Kennon, Craver, Belo, Craig & McKee, PLLC, Durham, North Carolina; and for the Underwriters by their counsel, Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina. It is expected that delivery of the 2006A Certificates will be made at The Depository Trust Company in New York, New York, on or about June 29, 2006.

Wachovia Securities

[co-manager?]

* Preliminary, subject to change.

June __, 2006

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2006A CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2006A Certificates by any person in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale.

NEITHER THE 2006A CERTIFICATES NOR THE INDENTURE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE 2006A CERTIFICATES AND THE INDENTURE IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE 2006A CERTIFICATES AND THE INDENTURE HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

All quotations from and summaries and explanations of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2006A Certificates shall under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT

*[\$amount]**
Certificates of Participation, Series 2006A
(Henderson County Projects)
Evidencing Proportionate Undivided Interests
in Rights to Receive Revenues pursuant to an
Installment Financing Contract with the
COUNTY OF HENDERSON, NORTH CAROLINA

INTRODUCTION

The purpose of this Official Statement, which includes the Appendices hereto, is to provide certain information in connection with the execution, sale and delivery of the Certificates of Participation, Series 2006A (Henderson County Projects) in the aggregate principal amount of **[\$amount]*** (the “2006A Certificates”), which evidence proportionate undivided interests in rights to receive revenues pursuant to an Installment Financing Contract, dated as of June 1, 2006 (the “Contract”), between the Henderson County Governmental Financing Corporation (the “Corporation”) and the County of Henderson, North Carolina (the “County”). The 2006A Certificates will be delivered pursuant to an Indenture of Trust, dated as of June 1, 2006 (the “Indenture”), between the Corporation and First-Citizens Bank & Trust Company, Raleigh, North Carolina, as trustee (the “Trustee”). Capitalized terms used in this Official Statement, unless otherwise defined herein, have the meanings set out in Appendix B, “**SUMMARY OF PRINCIPAL DOCUMENTS--Definitions**” hereto.

This Introduction provides only certain limited information with respect to the contents of this Official Statement and is expressly qualified by the Official Statement as a whole. Prospective investors should review the full Official Statement and each of the documents summarized or described herein. This Official Statement speaks only as of its date, and the information contained herein is subject to change. Neither the delivery of this Official Statement nor of the 2006A Certificates shall under any circumstances create an implication that there has been no change in the County’s affairs since the date of this Official Statement.

THE CORPORATION

The Corporation is a nonprofit corporation organized under the North Carolina Nonprofit Corporation Act. The Corporation was organized for the purpose of assisting the County in carrying out its municipal and governmental functions through the financing, acquisition, construction, operation, sale or lease of real estate and improvements, facilities and equipment for the use and benefit of the general public. See the caption “**THE CORPORATION**” herein.

* Preliminary, subject to change.

THE COUNTY

The County is a political subdivision of the State of North Carolina (the “*State*”). See the caption “**THE COUNTY**” herein for certain information regarding the County. Certain information from the County’s most recent audited financial statements is contained in Appendix A hereto.

PURPOSE

The County is entering into the Contract to (1) provide funds for the acquisition, design, construction, renovation and equipping of the Facilities (as defined herein) (the “*Projects*”) and (2) pay certain costs incurred in connection with the execution and delivery of the 2006A Certificates, including the cost of the premium on the financial guaranty insurance policy to be issued simultaneously with the delivery of the 2006A Certificates. See the captions “**THE PROJECTS AND THE FACILITIES**” and “**ESTIMATED SOURCES AND USES OF FUNDS**” herein.

SECURITY

The 2006A Certificates evidence proportionate undivided interests in rights to receive revenues under the Contract. As security for its obligations under the Contract, the County will execute and deliver to the deed of trust trustee (the “*Deed of Trust Trustee*”) for the benefit of the Corporation a Deed of Trust and Security Agreement, dated as of June 1, 2006 (the “*Deed of Trust*”), granting, among other things, a lien of record on the real property on which certain of the Facilities (as defined herein) are and will be located, including certain of the Facilities (the “*Mortgaged Property*”), subject only to Permitted Encumbrances (as defined in the Deed of Trust). The Corporation will assign substantially all of its rights in the Contract and in the Deed of Trust to the Trustee pursuant to the Indenture for the benefit of the Owners of the 2006A Certificates. The County will also execute and have filed North Carolina Uniform Commercial Code Financing Statements (the “*Financing Statements*”) with respect to the Mortgaged Property. A release of all or part of the Mortgaged Property from the Deed of Trust may be permitted provided that certain conditions are met. See the captions “**SECURITY AND SOURCES OF PAYMENT OF 2006A CERTIFICATES--RELEASE OF SECURITY**” herein and “**THE DEED OF TRUST--Release of Mortgaged Property**” in Appendix B hereto.

If a default occurs under the Indenture, the Trustee for the Owners can direct the Deed of Trust Trustee to foreclose on the Mortgaged Property and apply the proceeds received as a result of any such foreclosure to the payment of the amounts due to the Owners. NO ASSURANCE CAN BE GIVEN THAT ANY SUCH PROCEEDS WILL BE SUFFICIENT TO PAY THE PRINCIPAL OF AND THE INTEREST ON THE 2006A CERTIFICATES. IN ADDITION, NO DEFICIENCY JUDGMENT CAN BE OBTAINED AGAINST THE COUNTY IF THE PROCEEDS FROM ANY SUCH FORECLOSURE SALE (TOGETHER WITH OTHER FUNDS THAT MAY BE HELD BY THE TRUSTEE UNDER THE INDENTURE) ARE INSUFFICIENT TO PAY THE 2006A CERTIFICATES IN FULL. NEITHER THE 2006A CERTIFICATES NOR THE COUNTY’S OBLIGATION TO MAKE PAYMENTS UNDER THE CONTRACT CONSTITUTE A PLEDGE OF THE COUNTY’S FAITH AND CREDIT WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISION. See the caption “**SECURITY AND SOURCES OF PAYMENT OF 2006A CERTIFICATES**” herein.

Payment of the principal of and interest on the 2006A Certificates when due will be insured by a financial guaranty insurance policy (the “*Policy*”) to be issued by Ambac Assurance Corporation (the “*Insurer*”) simultaneously with the delivery of the 2006A Certificates. See the caption “**INSURANCE FOR THE 2006A CERTIFICATES**” herein.

THE 2006A CERTIFICATES

The 2006A Certificates are dated as of June 1, 2006. Interest is payable on May 1 and November 1 of each year, beginning November 1, 2006, at the rates set forth on the cover page of this Official Statement. Principal is payable, subject to prepayment as described herein, on May 1 in the years and in the amounts set forth on the cover page of this Official Statement. The 2006A Certificates are offered in denominations of \$5,000 and integral multiples thereof.

BOOK-ENTRY-ONLY

The 2006A Certificates will be delivered in book-entry-only form, without physical delivery of certificates to beneficial owners of the 2006A Certificates. Payments to beneficial owners of the 2006A Certificates will be made by the Trustee through The Depository Trust Company (“*DTC*”), New York, New York and its participants. See the caption “**THE 2006A CERTIFICATES--BOOK-ENTRY-ONLY FORM**” herein.

TAX TREATMENT

Assuming compliance with certain tax requirements and assuming the material accuracy of certain representations and other matters, under existing law, the portion of each installment payment under the Contract designated as and comprising interest received by the owners of the 2006A Certificates is excluded from gross income of the owners thereof for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the “*Code*”) and is exempt from present North Carolina state income taxation. In addition, under existing law, such interest is not treated as a preference item for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is taken into account in the computation of “adjusted current earnings” for purposes of computing the alternative minimum tax that may be imposed on corporations. No opinion is expressed as to whether, in the Event of Non-Appropriation, any amounts received by Owners of a 2006A Certificate from proceeds of the Policy would be excluded from gross income for purposes of federal income taxation or be exempt from North Carolina state income taxation. See the caption “**LEGAL MATTERS--TAX TREATMENT**” herein.

PROFESSIONALS

Wachovia Bank, National Association, Charlotte, North Carolina, and [co-manager?] (together, the “*Underwriters*”) are underwriting the 2006A Certificates. First-Citizens Bank & Trust Company, Raleigh, North Carolina, is serving as Trustee with respect to the 2006A Certificates. LeBoeuf, Lamb, Greene & MacRae, L.L.P., New York, New York, is serving as Special Counsel. The Office of the County Attorney, Hendersonville, North Carolina, is serving as counsel to the County. Kennon, Craver, Belo, Craig & McKee, PLLC, Durham, North Carolina, is serving as counsel to the Corporation. Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina, is serving as counsel to the Underwriters.

ADDITIONAL INFORMATION; CONTINUING DISCLOSURE

Additional information and copies in reasonable quantity of the principal financing documents may be obtained from the County at 113 N. Main Street, Hendersonville, North Carolina 28792, Attention: Finance Director, (828) 697-4824. Copies of such documents can also be obtained during the offering period from the Underwriters at 301 S. College St., NC0612, Charlotte, North Carolina 28202 (704) 715-9256. After the offering period, copies of such documents may be obtained from the Trustee at 100 East Tryon Road, Corporate Trust DAC61, Raleigh, North Carolina 27603, (919) 716-7576.

The County will undertake in the Contract to provide continuing disclosure of certain annual financial information and operating data and certain material events. See the caption “**CONTINUING DISCLOSURE OBLIGATION**” herein.

THE 2006A CERTIFICATES

AUTHORIZATION

The 2006A Certificates will be executed and delivered pursuant to the Indenture. The 2006A Certificates evidence proportionate undivided interests in rights to receive Installment Payments and certain other Revenues under the Contract.

The County is entering into the Contract under the provisions of Section 160A-20 of the General Statutes of North Carolina. The Board of Commissioners for the County authorized the County’s execution and delivery of the Contract in a resolution adopted on April 19, 2006.

In addition, the County’s entering into the Contract received the required approval of the Local Government Commission of North Carolina (the “*LGC*”) on June 6, 2006. The LGC is a division of the State Treasurer’s office charged with general oversight of local government finance in North Carolina. Its approval is required for substantially all bond issues and other local government financing arrangements in North Carolina. Under its own operating procedures, the LGC must determine, prior to approving an installment financing, among other things, that (1) the proposed financing is necessary and expedient, (2) the financing, under the circumstances, is preferable to a general obligation or revenue bond issue for the same purpose, and (3) the sums to fall due under the Contract are not excessive for the local government.

GENERAL

Payment Terms. The 2006A Certificates are dated as of June 1, 2006. Interest with respect to the 2006A Certificates is payable on each May 1 and November 1 (the “*Interest Payment Dates*”), beginning November 1, 2006, at the rates set forth on the cover page of this Official Statement (calculated on the basis of a 360-day year consisting of twelve 30-day months). Principal with respect to the 2006A Certificates is payable, subject to prepayment as described herein, on May 1 in the years and amounts set forth on the cover page of this Official Statement. Payments will be effected through DTC. See “**--BOOK-ENTRY-ONLY FORM**” herein.

Registration and Exchange. So long as DTC or its nominee is the registered owner of the 2006A Certificates, transfers and exchanges of beneficial ownership interests in the 2006A Certificates will be available only through DTC Direct Participants and DTC Indirect Participants. See “--**BOOK-ENTRY-ONLY FORM**” herein. The Indenture describes provisions for transfer and exchange applicable if a book-entry-only system is no longer in effect. These provisions generally provide that the transfer of the 2006A Certificates is registrable by the Owners thereof, and the 2006A Certificates may be exchanged for an equal aggregate, unprepaid principal amount of 2006A Certificates of the authorized denomination and of the same maturity and interest rate, only upon presentation and surrender of the 2006A Certificates to the Trustee at the principal corporate trust office of the Trustee together with an executed instrument of transfer in a form approved by the Trustee in connection with any transfer. The Trustee may require the person requesting any transfer or exchange to reimburse it for any tax or other governmental charge required to be paid with respect to such registration or exchange.

BOOK-ENTRY-ONLY FORM

When the 2006A Certificates are executed and delivered, ownership interests will be available to purchasers only through a book-entry system (the “*Book-Entry System*”) maintained by DTC or such other depository institution designated by the County pursuant to the Indenture.

DTC and Its Participants. DTC will act as securities depository for the 2006A Certificates. The 2006A Certificates will be executed and delivered as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully registered certificate will be executed and delivered for each maturity of the 2006A Certificates and will be deposited with DTC. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its Direct Participants and Indirect Participants (each as hereinafter defined and, collectively, “*Participants*”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. “*Direct Participants*” include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchase of Ownership Interests. Purchases of 2006A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006A Certificates on DTC’s records. The ownership interest of each actual purchaser of each 2006A Certificate (“*Beneficial Owner*”) is in turn to be recorded on Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases,

but Beneficial Owners are expected to receive written confirmations providing details of their transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into their transactions. Transfers of ownership interests in the 2006A Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2006A Certificates, except in the event that use of the book-entry system for the 2006A Certificates is discontinued.

Transfer and Exchange of Ownership Interests. To facilitate subsequent transfers, all 2006A Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2006A Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2006A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts the 2006A Certificates are credited, which may or may not be Beneficial Owners. Participants will remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of the 2006A Certificates, Beneficial Owners may be charged a sum sufficient to cover their allocable shares of any tax, fee or other governmental charge required to be paid with respect thereto.

Payments of Principal and Interest. So long as all the 2006A Certificates are registered in the name of Cede & Co., the nominee of DTC, or its registered assigns, payments of principal, interest and any prepayment premiums with respect to the 2006A Certificates will be made to DTC. DTC's practice is to credit the Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and any prepayment premiums to DTC is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Corporation, the County and the Trustee will recognize DTC or its nominee as the Owner for all purposes, including notices and consents. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to statutory and regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2006A Certificates. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2006A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

The Corporation, the County and the Trustee shall be entitled to treat the person in whose name any 2006A Certificate is registered (DTC or its nominee) as the absolute owner thereof for all purposes of the Indenture and any applicable laws, and, except as described below, (i) all payments of interest, principal and any prepayment premiums made by the Trustee shall be delivered only to DTC or Cede & Co., as its nominee, (ii) all relevant notices delivered by the Corporation or the Trustee pursuant to the Indenture shall be delivered only to DTC or Cede & Co., as its nominee, and (iii) all rights of Owners under the Indenture, including, without limitation, voting rights, rights to approve, waive or consent and rights to transfer and exchange 2006A Certificates, shall be rights of DTC or Cede & Co., as its nominee. BENEFICIAL OWNERS OF THE 2006A CERTIFICATES WILL RELY ON DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS FOR TIMELY PAYMENTS AND NOTICES AND FOR OTHERWISE MAKING AVAILABLE TO BENEFICIAL OWNERS THE RIGHTS OF REGISTERED OWNERS. NO ASSURANCES CAN BE PROVIDED THAT, IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC, A DIRECT PARTICIPANT OR AN INDIRECT PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS INTERESTS IN THE 2006A CERTIFICATES, PAYMENT WILL BE MADE BY DTC, THE DIRECT PARTICIPANT OR THE INDIRECT PARTICIPANT ON A TIMELY BASIS.

Discontinuance of DTC Services. DTC may determine to discontinue providing its services as securities depository with respect to the 2006A Certificates at any time by giving reasonable notice to the Trustee, the Corporation and the County. In addition, the County may discontinue use of DTC (or any substitute depository or its successor) with respect to the 2006A Certificates at any time if the County determines that DTC is incapable of discharging its duties or that the continuation of the Book-Entry System through DTC (or a substitute depository or its successor) would adversely affect the interests of the Beneficial Owners of the 2006A Certificates. If the County fails to identify another qualified securities depository to replace DTC, the County will cause the Trustee to deliver fully registered definitive 2006A Certificates to each Beneficial Owner in authorized denominations as such Owner may request.

THE CORPORATION, THE COUNTY AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, TO THE INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE 2006A CERTIFICATES; (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; (III) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL, PREPAYMENT PREMIUM, IF ANY, OR INTEREST WITH RESPECT TO THE 2006A CERTIFICATES; (IV) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS BY DTC UNDER THE INDENTURE; (V) THE SELECTION BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE 2006A CERTIFICATES; OR (VI) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ITS NOMINEE AS REGISTERED OWNER OF THE 2006A CERTIFICATES.

Should DTC discontinue its services or if any other events referred to above occur, 2006A Certificates may be delivered to Owners in physical form.

CERTAIN INFORMATION INCLUDED UNDER THIS CAPTION “**THE 2006A CERTIFICATES--BOOK-ENTRY-ONLY FORM**” HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE COUNTY, THE CORPORATION OR THE TRUSTEE AS TO THE ACCURACY OR ADEQUACY OF SUCH

INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

PREPAYMENT PROVISIONS

Optional Prepayment. The 2006A Certificates maturing on or before May 1, 20__ will not be subject to optional prepayment before maturity. The 2006A Certificates maturing on and after May 1, 20__ are subject to prepayment from any available moneys (other than proceeds of the Policy) in whole or in part on any date selected by the County on or after May 1, 20__. Such prepayment may be made, upon notice as provided in the Indenture, at the prepayment prices, expressed as percentages of the principal amount of such 2006A Certificates to be prepaid, set forth in the following table, together with accrued interest to the date fixed for prepayment:

<u>PREPAYMENT PERIOD</u> <u>(BOTH DATES INCLUSIVE)</u>	<u>PREPAYMENT PRICE</u>
-----------------------------------------------------------	-------------------------

[100% like 2005?]

Extraordinary Prepayment. If the Facilities (as defined herein) are damaged or destroyed or the real property on which the Facilities are located or the Facilities are taken in eminent domain and the County elects, pursuant to the Contract, to deposit the Net Proceeds into the Prepayment Fund, the 2006A Certificates are subject to prepayment in whole on any date or in part on any Interest Payment Date selected by the County at par plus interest accrued thereon to the date fixed for prepayment, without premium, from Net Proceeds and any additional moneys available therefor. The County may not, however, contribute additional moneys exceeding one-third of the Net Proceeds applied to such prepayment.

[term bond?]

Mandatory Prepayment. The 2006A Certificates maturing on May 1, 20__ are subject to mandatory prepayment in part starting May 1, 20__, from the principal components of the Installment Payments required to be paid by the County pursuant to the Contract with respect to such prepayment dates, at a prepayment price equal to the principal amount thereof to be prepaid, together with accrued interest, if any, to the date fixed for prepayment, without premium, in the amounts as follows:

<u>YEAR</u>	<u>AMOUNT</u>
-------------	---------------

*

* Maturity

Selection. If the 2006A Certificates are called for prepayment in part, the 2006A Certificates will be prepaid (1) in such manner as the County may direct, in the case of an optional prepayment and (2) *pro rata* among maturities so that following each prepayment the

remaining annual payments of principal on the 2006A Certificates (and all Additional Certificates on a parity with the 2006A Certificates) are proportionate to the initial amounts of such payments in the case of an extraordinary prepayment. If less than all 2006A Certificates within the same maturity will be prepaid, the 2006A Certificates to be prepaid will be selected by DTC pursuant to its rules and procedures or, if the book-entry system is discontinued, the Trustee will select the 2006A Certificates by lot within a maturity in such manner as the Trustee in its discretion may determine. If the 2006A Certificates are to be prepaid in part, they may be prepaid only in whole multiples of \$5,000.

Effect of Call for Prepayment. If moneys in an amount sufficient for the prepayment (plus accrued interest to the prepayment date) have been set aside in the Prepayment Fund, interest with respect to such 2006A Certificates will cease to accrue and become payable, and the Owners of such 2006A Certificates will have no rights in respect of such 2006A Certificates except to receive payment of the prepayment price and accrued interest from the funds held by the Trustee for such purpose.

Notice of Prepayment. The Trustee will mail, first-class, postage prepaid, a notice of prepayment of any 2006A Certificates at least 30 days and not more than 60 days prior to the prepayment date to the Owners of the 2006A Certificates or portions of the 2006A Certificates to be prepaid. Neither the failure to mail the notice nor any defect in any notice mailed shall affect the sufficiency of the proceedings for the prepayment of any 2006A Certificates as to which no such defect or failure occurred. The actual receipt by any Owner of notice of prepayment shall not be a condition precedent to prepayment. In addition, notice of prepayment will be given to certain securities depositories and nationally recognized municipal securities information repositories in compliance with the Indenture and Rule 15c2-12 under the Securities Exchange Act of 1934. See the caption “**CONTINUING DISCLOSURE OBLIGATION**” herein.

THE PROJECTS AND THE FACILITIES

The County will use proceeds of the 2006A Certificates to design, acquire, construct, renovate and equip the following facilities or improvements thereto as indicated below (collectively, the “Projects”):

(1) Sugarloaf Road Elementary School. An approximately _____ square foot elementary school for approximately 600 students, to be located at 2270 Sugarloaf Road in Hendersonville, North Carolina;

(2) Mills River Elementary School. An approximately _____ square foot elementary school (which includes improvements financed with proceeds of the 2006A Certificates) for approximately _____ students, located at 96 School House Road in Horse Shoe, North Carolina ((1) and (2) being collectively the “School Facilities”);

(3) Historic County Courthouse. The Henderson County Courthouse Building (which includes improvements financed with the proceeds of the 2006A Certificates) located at _____ Main Street Hendersonville, North Carolina (the “Historic Courthouse”); and

(4) Blue Ridge Community College Technology Building. An approximately _____ square foot technology education and development building located on the campus of the Blue Ridge Community College at 100 Alumni Way in Flat Rock, North Carolina (the “Technology Building”).

The School Facilities, the Historic Courthouse and the Technology Building are collectively the “Facilities.”

The County will designate the Henderson County Board of Public Education (“*Board of Education*”) as its agent to carry out the design, acquisition, construction, renovation and equipping of the School Facilities under an Agency Agreement between the County and the Board of Education, dated June 1, 2006. The School Facilities will be leased by the County to the Board of Education pursuant to a Lease dated as of June 1, 2006 (the “*Lease*”).

ESTIMATED SOURCES AND USES OF FUNDS

The following table presents information as to the estimated sources and uses of funds, excluding accrued interest, relating to the Projects:

Sources of Funds:

Par Amount of 2006A Certificates	\$ _____
TOTAL SOURCES	\$ _____

Uses of Funds:

Cost of the Projects	\$ _____
Costs of Issuance ¹	_____
TOTAL USES	\$ _____

¹ Includes Underwriters’ discount, legal fees, printing fees, rating fees, the premium for the Policy and miscellaneous transaction costs.

SECURITY AND SOURCES OF PAYMENT OF 2006A CERTIFICATES

The 2006A Certificates are payable from Installment Payments to be made by the County under the Contract, certain moneys in the funds and accounts held by the Trustee under the Indenture and investment earnings thereon.

INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS

Under the Contract, the County is required to pay Installment Payments directly to the Trustee semiannually on or before each April 15 and October 15 in amounts sufficient to provide for the payment of the principal and interest with respect to the 2006A Certificates on the following May 1 and November 1. Installment Payments payable for any period will be reduced by certain investment earnings and other amounts on deposit in the Certificate Fund or the Prepayment Fund available to pay the principal or interest with respect to the 2006A Certificates.

The County is also obligated to pay Additional Payments in amounts sufficient to pay the fees and expenses of the Trustee and the Corporation, taxes or other expenses required to be paid pursuant to the Contract. Additional Payments are to be paid by the County directly to the person or entity to which such Additional Payments are owed.

In connection with both Installment Payments and Additional Payments, the appropriation of funds therefor is within the sole discretion of the Board of Commissioners for the County. In the Contract, the County agrees to (1) cause the Budget Officer to include the Installment Payments and estimated Additional Payments coming due in each fiscal year in the initial annual budget for such fiscal year submitted to the County Board of Commissioners, (2) require the Budget Officer to use his or her best efforts to obtain appropriations therefor, (3) use the moneys appropriated by the County in a fiscal year to make the Installment Payments and Additional Payments and for no other purpose and (4) if an Event of Non-Appropriation has occurred, promptly give notice thereof to the LGC, the Corporation, the Trustee and the Insurer, provided that any budget item so included may be deleted from the County's budget only by adoption of a resolution to such effect containing the reasons therefor, which resolution is to be adopted by a roll call vote and spread on the minutes of the County Board of Commissioners.

DEED OF TRUST

The County will execute the Deed of Trust as security for its obligations under the Contract. The Mortgaged Property consists of the Facilities other than the Technology Building and the real property on which such Facilities are located. The Deed of Trust will be duly and properly recorded and will constitute a lien of record on the Mortgaged Property, subject only to Permitted Encumbrances. Title to the real estate comprising the Mortgaged Property will be insured under a title insurance policy or policies. The County will also execute the Financing Statements. The Financing Statements will be duly and properly filed.

INDENTURE

Under the Indenture, the Corporation will assign to the Trustee for the benefit of the Owners of the 2006A Certificates and any Additional Certificates (1) all right, title and interest of the Corporation in, to and under the Contract (except its rights to indemnification and to receive notices and Additional Payments), including all Installment Payments required to be made by the County under the Contract and any Net Proceeds, (2) all right, title and interest of the Corporation in the Deed of Trust and (3) all moneys and securities from time to time held by the Trustee under the Indenture.

RELEASE OF SECURITY

UPON COMPLIANCE WITH THE REQUIREMENTS OF THE DEED OF TRUST, THE COUNTY MAY REQUEST AND THE DEED OF TRUST TRUSTEE MUST RELEASE PORTIONS OF THE MORTGAGED PROPERTY FROM THE LIEN OF THE DEED OF TRUST. Any release of Mortgaged Property from the lien of the Deed of Trust will occur only when and if the County provides the Deed of Trust Trustee, the Corporation, the Insurer and the Trustee (1) a certified copy of the resolution of the County Board of Commissioners requesting the release and stating the purpose thereof, (2) a legal description of the parcels to be released and (3) a certificate issued by an independent

appraisal firm certifying that the remaining value of the Mortgaged Property is at least equal to the outstanding par amount of the 2006A Certificates and any Additional Certificates. See **“THE DEED OF TRUST--Release of Mortgaged Property”** in Appendix B hereto.

ENFORCEABILITY

The Indenture, the Deed of Trust and the Contract are subject to bankruptcy, insolvency, reorganization and other laws relating to or affecting the enforcement of creditors’ rights and, to the extent that certain remedies under such instruments require or may require enforcement by a court, to such principles of equity as the court having jurisdiction may impose.

THE CONTRACT DOES NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE COUNTY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED IN THE SOLE DISCRETION OF THE COUNTY IN ANY FISCAL YEAR IN WHICH THE CONTRACT IS IN EFFECT. If the County fails to make Installment Payments required under the Contract or there otherwise occurs an Event of Default under the Contract, the Trustee may, with the consent of the Insurer, declare the entire unpaid principal portion of the Installment Payments to be immediately due and payable and enforce its security interest granted by the County or direct the Deed of Trust Trustee to institute foreclosure proceedings under the Deed of Trust and may in accordance with law dispose of such Mortgaged Property and apply the proceeds of any such disposition toward any balance owing by the County under the Contract to make Installment Payments. No assurance can be given that such proceeds will be sufficient to pay the principal of and interest with respect to the 2006A Certificates. IN ADDITION, SECTION 160A-20 OF THE NORTH CAROLINA GENERAL STATUTES PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR BREACH OF ANY CONTRACTUAL OBLIGATION AUTHORIZED UNDER SECTION 160A-20. See **“THE CONTRACT--Remedies under the Contract”** and **“THE DEED OF TRUST--No Deficiency Judgment”** in Appendix B hereto and the caption **“CERTAIN RISKS OF 2006A CERTIFICATE OWNERS—Insufficiency of Collateral and Limitations on the County’s Obligation”** herein.

INSURANCE FOR THE 2006A CERTIFICATES

Concurrently with the initial execution and delivery of the 2006A Certificates, the Insurer will issue its Policy to guarantee the payment of the principal of and interest on the 2006A Certificates on the stated interest payment date, maturity date or mandatory sinking fund prepayment date therefor, but not as a result of the acceleration or other call for prepayment thereof. See the caption **“INSURANCE FOR THE 2006A CERTIFICATES”** herein.

ADDITIONAL CERTIFICATES

So long as no Event of Default has occurred and is continuing, under the conditions described in the Indenture and without the approval or consent of the Owners of the then-outstanding Certificates, Additional Certificates on a parity with the 2006A Certificates may be delivered to provide funds (1) to complete the acquisition, construction, installation and equipping of the Facilities, (2) to make substitutions, additions, modifications or improvements in, on or to the Facilities as the County may deem necessary or desirable, provided the same do not materially change the use of the Facilities, (3) to refund any or all of the 2006A Certificates

or any Additional Certificates or (4) to finance the execution, delivery and sale of the Additional Certificates and capitalized interest for such period, and such other costs reasonably related to the financing, as shall be agreed upon by the Corporation and the Trustee. Except in the case of a refunding, the Insurer's written consent to the delivery of the Additional Certificates is required.

[to be updated]

INSURANCE FOR THE 2006A CERTIFICATES

The following information has been furnished by the Insurer for use in this Official Statement. Neither the County, the Corporation nor the Underwriters make any representation as to the accuracy or adequacy of such information or that there has not been any material change in such information subsequent to the dates set forth therein. Neither the County, the Corporation nor the Underwriters have made any investigation into the financial condition of the Insurer, and no representation is made as to the ability of the Insurer to meet its obligations under the Policy. See Appendix D for a specimen of the Policy.

PAYMENT PURSUANT TO THE POLICY

The Insurer has made a commitment to issue the Policy relating to the 2006A Certificates effective as of the date of execution and delivery of the 2006A Certificates. Under the terms of the Policy, the Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the "*Insurance Trustee*") that portion of the principal and interest with respect to the 2006A Certificates which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The Policy will extend for the term of the 2006A Certificates and, once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the 2006A Certificates become subject to mandatory prepayment and insufficient funds are available for prepayment of all outstanding 2006A Certificates, the Insurer will remain obligated to pay principal and interest with respect to outstanding 2006A Certificates on the originally scheduled interest and principal payment dates including mandatory sinking fund prepayment dates. In the event of any acceleration of the principal with respect to the 2006A Certificates, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest with respect to a 2006A Certificate which has become Due for Payment and which is made to an Owner by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to

payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does not cover:

1. payment on acceleration, as a result of a call for prepayment (other than mandatory sinking fund prepayment) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of 2006A Certificates to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such 2006A Certificates to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of Owner entitlement to interest payments and an appropriate assignment of the Owner's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the 2006A Certificate, appurtenant coupon, if any, or right to payment of principal or interest on such 2006A Certificate and will be fully subrogated to the surrendering Owner's rights to payment.

AMBAC ASSURANCE CORPORATION

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$_____ and statutory capital of approximately \$_____ as of _____, 20___. Statutory capital consists of the Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to the Insurer.

The Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Insurer under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the 2006A Certificates.

The Insurer makes no representation regarding the 2006A Certificates or the advisability of investing in the 2006A Certificates and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Insurer and

presented under the heading **“INSURANCE FOR THE 2006A CERTIFICATES”** and in Appendix D hereto.

AVAILABLE INFORMATION

The parent company of the Insurer, Ambac Financial Group, Inc. (“*Ambac Financial Group*”), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “*SEC*”). These reports, proxy statements and other information can be read and copied at the SEC’s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including Ambac Financial Group. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the “*NYSE*”), 20 Broad Street, New York, New York 10005.

Copies of the Insurer’s financial statements prepared in accordance with statutory accounting standards are available from the Insurer. The address of the Insurer’s administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following document filed by Ambac Financial Group with the SEC (File No. 1-10777) is incorporated by reference in this Official Statement:

[To be updated closer to printing]

All documents subsequently filed by Ambac Financial Group pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in “-- **AVAILABLE INFORMATION.**”

AVAILABLE SOURCES FOR PAYMENT OF INSTALLMENT PAYMENTS

GENERAL

The County may pay its Installment Payments from any source of funds legally available to it in each year and appropriated therefor during the term of the Contract.

GENERAL FUND REVENUES

See Appendix A hereto for a description of the uses of the County’s general fund revenues for the fiscal year ended June 30, 2005.

INSTALLMENT PAYMENT SCHEDULE

The following schedule sets forth the County's installment payment schedule under the Contract. Payments due on a April 15 will be paid to Owners of the 2006A Certificates on the following May 1, and payments due on a October 15 will be paid to the Owners of the 2006A Certificates on the following November 1.

<u>DATE</u>	<u>PRINCIPAL COMPONENT OF INSTALLMENT PAYMENTS</u>	<u>INTEREST COMPONENT OF INSTALLMENT PAYMENTS</u>	<u>TOTAL</u>
10/15/06			
04/15/07			
10/15/07			
04/15/08			
10/15/08			
04/15/09			
10/15/09			
04/15/10			
10/15/10			
04/15/11			
10/15/11			
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04/15/20			
10/15/20			
04/15/21			
10/15/21			
04/15/22			
10/15/22			
04/15/23			
10/15/23			
04/15/24			
10/15/24			
04/15/25			
TOTAL	\$ _____	\$ _____	\$ _____

CERTAIN RISKS OF 2006A CERTIFICATE OWNERS

INSUFFICIENCY OF COLLATERAL AND LIMITATIONS ON THE COUNTY'S OBLIGATION

The Contract provides for payment of Installment Payments by the County to pay the principal and interest with respect to the 2006A Certificates and any Additional Certificates as the same shall become due. Upon failure by the County to make such Installment Payments (whether as a result of an Event of Non-Appropriation or otherwise) or upon the occurrence of any Event of Default under the Contract, the Trustee may declare the principal with respect to the 2006A Certificates and any Additional Certificates to be immediately due and payable, may direct the Deed of Trust Trustee to foreclose on the Mortgaged Property pursuant to the Deed of Trust and to enter, take possession of and attempt to dispose of the Mortgaged Property (subject to applicable law), and may apply the net proceeds received on account of such disposition to payment of amounts due under the 2006A Certificates and any Additional Certificates. See **"THE CONTRACT"** in Appendix B hereto. The amount of such net proceeds may be affected by (1) the condition of the Mortgaged Property and (2) the occurrence and extent of any damage, destruction, loss or theft of the Mortgaged Property which is not repaired or replaced and for which there are not received or appropriated moneys from insurance or from any risk management program which may be in effect with respect to the Mortgaged Property.

Various factors could negatively affect the value of the Mortgaged Property upon foreclosure. Examples of such factors include zoning restrictions on, encumbrances on, and restrictive covenants with respect to, the Mortgaged Property, all of which could negatively affect its value. **[Although the environmental assessments described below did not reveal any significant environmental concerns with respect to the Mortgaged Property, undiscovered or future environmental contamination of the Mortgaged Property could have a material adverse effect on its value.**

The County obtained Phase I Environmental Site Assessments on the sites of the School Facilities and the Historic Courthouse. The assessments did not reveal any significant environmental concerns with the School Facilities site or the Historic Courthouse site.]

THERE CAN BE NO ASSURANCE THAT THE MONEYS AVAILABLE IN THE FUNDS AND ACCOUNTS HELD BY THE TRUSTEE AND THE PROCEEDS OF ANY SUCH DISPOSITION OF THE MORTGAGED PROPERTY WILL BE SUFFICIENT TO PROVIDE FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST WITH RESPECT TO THE 2006A CERTIFICATES. SECTION 160A-20 OF THE GENERAL STATUTES OF NORTH CAROLINA PROVIDES THAT NO DEFICIENCY JUDGMENT MAY BE RENDERED AGAINST THE COUNTY FOR BREACH OF ANY CONTRACTUAL OBLIGATION AUTHORIZED UNDER SECTION 160A-20, AND THE TAXING POWER OF THE COUNTY IS NOT AND MAY NOT BE PLEDGED DIRECTLY OR INDIRECTLY TO SECURE ANY MONEYS OWING BY THE COUNTY UNDER THE CONTRACT. THE REMEDIES AFFORDED TO THE TRUSTEE AND THE OWNERS OF THE 2006A CERTIFICATES ON A DEFAULT BY THE COUNTY UNDER THE CONTRACT ARE LIMITED TO THOSE OF A SECURED PARTY UNDER THE LAWS OF THE STATE OF NORTH CAROLINA, INCLUDING FORECLOSING ON THE MORTGAGED PROPERTY UNDER THE DEED OF TRUST.

THE 2006A CERTIFICATES ARE NOT A DEBT OR GENERAL OBLIGATION OF THE COUNTY OR PAYABLE FROM ANY ASSETS OF THE CORPORATION OR PAYABLE FROM ANY ASSETS OF THE COUNTY'S DIRECTORS, OFFICERS, AGENTS OR EMPLOYEES.

UNINSURED CASUALTY

The Contract requires that certain insurance be maintained with respect to the Mortgaged Property. Such insurance may not, however, cover all perils to which the Mortgaged Property is subject. If all or any part of the Mortgaged Property is partially or totally damaged or destroyed by any casualty or taken by any governmental authority, the County has the option under the Contract to apply any Net Proceeds from insurance or condemnation to restore, modify, improve, complete, or replace the Mortgaged Property to the extent possible with such funds. Any partial restoration or modification may result in a diminution in the value of the Mortgaged Property. In addition if the Net Proceeds are not used as described above, they may under certain circumstances be used to prepay the 2006A Certificates in part, with no restoration of the Mortgaged Property. This partial prepayment could have adverse consequences for the remaining Owners of the 2006A Certificate. If the Net Proceeds are not sufficient to prepay the 2006A Certificates and the County elects not to appropriate sufficient funds to pay the Installment Payments, the only other source of payment of the 2006A Certificates will be funds, if any, held by the Trustee under the Indenture and proceeds of the disposition of the Mortgaged Property, the amount of which may be reduced by the condition of the Mortgaged Property.

OUTSTANDING GENERAL OBLIGATION DEBT OF THE COUNTY

The County has issued general obligation bonds and may issue general obligation bonds and notes in the future. The County has pledged and will pledge its faith and credit and taxing power to the payment of its general obligation bonds and notes. See the caption "**THE COUNTY--DEBT INFORMATION**" herein. FUNDS WHICH MAY OTHERWISE BE AVAILABLE TO PAY INSTALLMENT PAYMENTS OR ADDITIONAL PAYMENTS OR TO MAKE OTHER PAYMENTS TO BE MADE BY THE COUNTY UNDER THE CONTRACT MAY BE SUBJECT TO SUCH FAITH AND CREDIT PLEDGE BY THE COUNTY AND THEREFORE MAY BE REQUIRED TO BE APPLIED TO THE PAYMENT OF ITS GENERAL OBLIGATION INDEBTEDNESS.

THE CORPORATION

The Corporation is organized under the North Carolina Nonprofit Corporation Act (N.C.G.S. Chapter 55A-1 *et seq.*, as amended, the "*Act*") and is authorized under the Act to carry out the purposes set forth in its articles of incorporation. The Corporation was organized for the purpose of, among other things, assisting the County in carrying out its municipal and governmental functions through the financing, acquisition, construction, operation, sale or lease of real estate, improvements and facilities such as the Facilities and to enter into agreements with the County and other relevant parties to facilitate such essential projects. Pursuant to its articles of incorporation, the Corporation is empowered to buy, hold, own, sell, assign, mortgage or lease any interest in real estate and personal property in the manner contemplated by the Contract and to construct, maintain and operate improvements thereon necessary or incident to the accomplishment of the purpose of promoting the general welfare of the citizens of the County by

assisting the County in carrying out its municipal and governmental functions through the acquisition, construction, operation, sale or lease of real estate and improvements, facilities and equipment for the use and benefit of the general public. The Corporation has no taxing power.

The Board of Directors of the Corporation consists of three directors, who serve until their successors are elected following three-year terms. The following individuals are currently serving as (1) the directors of the Corporation and (2) the officers of the Corporation, as indicated opposite their respective names:

William L. Moyer	Chairman
Charlie Messer	President
David E. Nicholson	Secretary and Treasurer

THE COUNTY

GENERAL DESCRIPTION

The County is located in the southern Blue Ridge Mountains of western North Carolina. The County is bordered by Transylvania and Haywood Counties to the west, Buncombe County to the north, Rutherford and Polk Counties to the east and Greenville, South Carolina to the south.

The County was settled in the late 1700s and contains 375 square miles. The County's current population is 96,124. There are five incorporated towns within the County: Hendersonville, the County seat, with a population of 12,106, Laurel Park with a population of 2,127, Fletcher with a population of 5,121, the Village of Flat Rock with a population of 2,798, and Mills River with a population of 6,038.

The center of the County lies on an inter-mountain plateau, with an elevation of 2,100 to 2,300 feet. Because of the elevation, the County enjoys the advantage of a mild mountain climate both summer and winter. The County serves as a shopping and industrial area for a 30-mile radius.

DEMOGRAPHIC CHARACTERISTICS

The United States Department of Commerce, Bureau of the Census, has recorded the population of the County to be as follows:

<u>1980</u>	<u>1990</u>	<u>2000</u>
58,580	69,285	89,193

More recent estimates provide the following population figures:

<u>2003</u>	<u>2004</u>	<u>2005</u>
94,496	96,124	96,124

Source: North Carolina Office of State Budget and Management.

Per capita income data for the County and the State are presented in the following table:

<u>Year</u>	<u>County</u>	<u>State</u>
1999	\$26,475	\$25,560
2000	27,754	27,068
2001	27,914	27,493
2002	27,875	27,510
2003	28,286	27,859

Source: United States Department of Commerce, Bureau of Economic Analysis.

COMMERCE, INDUSTRY AND AGRICULTURE

The County's economic base is well diversified. Originally, agriculture was the prime source of revenue for the County's residents. Because of the mild climate, tourism began to add to the local economy. After World War II, industrial development became an important part of the economy.

A balanced economic base has contributed to the County's continued growth during the past decade. While all areas of the economy have remained strong, manufacturing has grown through the years to rank first in employment. The County's industrial base has grown during the 1990s because of the additional investment made by new and expanding industries. The annual payroll for manufacturing jobs in the County was approximately \$284 million in 2004. The County has consistently maintained a lower unemployment rate than the State or national averages.

The agricultural base has remained strong in the County, peaking at an estimated \$147,542,662 million in revenues in 2002. The County ranks 2nd in the State for crop production and 11th in the State for total agriculture. The County produces 75% of the State's apples and ranks seventh nationwide for apple production. Although apples remain a large commodity, ornamental plants have become the largest income generator for local farmers.

The following table illustrates the value of agriculture in the County.

<u>Calendar Year</u>	<u>Acres of Cropland Harvested</u>	<u>Estimated Farm Income</u>	<u>Farm Income Per Acre of Harvested Cropland</u>
2000	21,780	\$ 132,721,189	6,093
2001	22,440	121,401,107	5,410
2002	22,440	147,542,492	6,575
2003	22,440	146,725,070	6,539
2004	24,000	144,821,332	6,034

Source: North Carolina Cooperative Extension Service, Henderson County.

The County has recognized the value of the tourism and retirement industries to its economy. The amount of tourism dollars has more than tripled in the past 15 years. In 1987, the tourist income was approximately \$57 million. In 2004, the income from visitors to the County increased to \$174 million. The County is a nationally known retirement area. The value of Social Security payments to retirees was \$___ million in 2004. The growth and year round stability of service industries in the County directly relates to this important segment of the County's economy.

The following table illustrates the value of tourism to the County:

<u>Calendar Year</u>	<u>Income</u>
2000	\$ 152,690,000
2001	157,970,000
2002	166,830,000
2003	173,850,000
2004	174,080,000

Source: Henderson County Travel and Tourism Committee.

The County's per capita income is above the statewide average. The County is served by ten commercial banks, one savings institution and four credit unions. The total bank deposits have increased from \$1.0 billion in 2000 to \$1.3 billion in 2005.

Total retail sales in the County for the past five fiscal years are shown in the following table:

<u>Fiscal Year Ended June 30</u>	<u>Total Retail Sales</u>	<u>Increase Over Previous Year</u>
2001	\$ 978,504,346	5.0 %
2002	1,011,573,114	3.4
2003	1,141,059,404	12.8
2004	1,234,267,915	8.2
2005	1,288,952,548	4.4

Source: North Carolina Department of Revenue, Sales and Use Tax Division.

The County has significant building construction activity. During the past five years, the value of building permits exceeded \$1 billion. The following table reflects the number of building permits and the value of construction.

<u>Fiscal Year Ended June 30</u>	<u>Value of Construction</u>	<u>Number of Permits</u>
2001	\$ 228,155,000	1,123
2002	175,316,794	1,773
2003	191,582,465	1,788
2004	189,475,928	1,956
2005	219,789,581	2,393

Source: Henderson County Inspections Department.

The following table lists the major employers in the County:

<u>Company or Institution</u>	<u>Product or Service</u>	<u>Approximate Number of Employees</u>
MANUFACTURING		
General Electric Company	Lighting Systems	645
Wilsonart International	Laminated Plastics	710
Meritor Automotive, Inc.	Truck Axles	579
Borg-Warner	Auto and Truck Parts	440

<u>Company or Institution</u>	<u>Product or Service</u>	<u>Approximate Number of Employees</u>
Continental Teves	Automotive Brake Systems	356
Kimberly-Clark	Health Products	275
Manual Woodworkers	Wooden Crafts & Woven Products	252
UPM Raflatac	Paper Products	280
Kyocera Feldmuehle, Inc	Industrial Ceramics	200
PrintPak, Incorporated	Paper Products	160
NON-MANUFACTURING		
Henderson County Public Schools	Education	1,800
Margaret R. Pardee Memorial Hospital	Health Care	1,350
Park Ridge Hospital	Health Care	770
County of Henderson	Government	728
WalMart	Retail	545
Ingles	Retail	227
City of Hendersonville	Government	180
Blue Ridge Community College	Education	190

Source: Greater Hendersonville Chamber of Commerce.

EMPLOYMENT

The North Carolina Employment Security Commission has estimated the percentage of unemployment in the County to be as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
January	6.0%	5.5%	4.8%	4.6%	3.7%	July	4.8%	4.9%	4.1%	4.6%
February	5.5	5.2	4.5	4.8	4.1	August	4.8	4.5	3.8	4.1
March	5.5	5.1	4.5	4.2		September	4.5	4.0	3.3	3.6
April	5.2	5.5	4.0	4.1		October	4.5	4.1	3.5	3.6
May	5.2	4.8	4.1	4.0		November	5.0	4.5	3.9	3.8
June	5.0	5.1	4.4	4.5		December	5.0	4.1	4.0	3.5

GOVERNMENT AND MAJOR SERVICES

Government Structure. The County is governed by a five-member Board of County Commissioners. Commissioners are nominated from districts and are elected at-large. The Chairman is elected annually from among the five members. The Board of Commissioners appoints the County Manager, who is responsible for the administration of County government, in accordance with its policy directives. [Describe that David has retired . . .]

Education. The State provides a basic minimum educational program for each school administrative unit or district within the State. There is one administrative unit in the County — the Henderson County Public Schools Administrative Unit. This Administrative Unit is

governed by the County Board of Public Education whose members are elected at-large on a non-partisan basis for four-year terms. The school system is accredited by the Southern Association of Colleges and Universities.

The County’s contribution to education is funded by Countywide revenues. In fiscal year 2005-2006, \$16,891,418 was appropriated for operating expenses and an additional \$1,600,000 for capital expenses. The Board of Commissioners and Board of Public Education continue to work together to develop a construction and funding plan to address future school facility needs.

The following table shows the number of schools and average daily membership for the past five years for the Administrative Unit:

<u>Year</u>	<u>Elementary/Middle (K-8)</u>		<u>Secondary (9-12)</u>	
	<u>Number</u>	<u>ADM</u>	<u>Number</u>	<u>ADM</u>
2001-02	15	8,260	4	3,350
2002-03	16	8,330	4	3,412
2003-04	16	8,567	4	3,593
2004-05	16	8,631	4	3,658
2005-06				

Note: ADM — Average Daily Membership — determined by actual records at the school is computed by the North Carolina Department of Education on a uniform basis for all public school units in the State. The ADM computations are used as a basis for teacher allotments and for distribution of local funds if there is more than one school unit within a county.

Source: Superintendent’s Office of the Administrative Unit.

The County also provides operating and capital funds for Blue Ridge Community College, which is part of the State’s system of community colleges and technical institutes. The County’s appropriation for fiscal year 2005-2006 for the College was \$1,926,643. The College has a full-time staff of 190 and a full-time equivalent student enrollment of approximately 2,075.

Transportation. Major expansion, maintenance and betterment of primary and secondary highways within the County are the responsibility of the State. The County has no responsibility for the construction or maintenance of streets or highways.

The County is served by six major highways — Interstate Highway 26; U.S. Highways 25 and 64; and North Carolina Highways 191, 176, and 280. Interstate 40 is located approximately 10 miles north of the County and Interstate 85 is approximately 30 miles south of the County.

The County is adjacent to the Asheville Regional Airport which is served by four major airlines – US Airways, Delta, Continental and Northwest. This Airport is also served by three commuter airlines – US Air Express, Atlantic/Southeast and ComAir. Bus service is provided by Greyhound and Norfolk/Southern Railway provides daily rail service to the industries of the County.

Human Services. Human Services, such as social services and health, are funded through a combination of Federal, State and County revenues. The County's appropriation to its human services agencies was \$27,437,382 in fiscal year 2006. The balance of the costs associated with these services is provided by the federal or State governments and charges for services.

The County is served by two inpatient medical facilities. Margaret R. Pardee Memorial Hospital is operated through a lease from the County to the Henderson County Hospital Corporation that will terminate no earlier than June 30, 2008. Margaret R. Pardee Hospital is a 222-bed general community hospital. The other hospital located in the County, Park Ridge Hospital, is a privately owned 103-bed facility. Both hospitals are accredited by the Joint Commission on Accreditation of Hospitals.

Recreation. The County's Parks and Recreation Department offers a broad range of programs for all age groups. The County operates six parks including Jackson Park, a 228-acre park with ballfields, tennis courts, nature trails and picnic areas. The County is well known for its tourist attractions, historical places and scenic beauty. The Flat Rock Playhouse, which is the State Theater of North Carolina, and the Carl Sandburg Home, a National Historical Site, are both located in the County.

Public Service Enterprises. The County operates a county water and sewer district known as the Cane Creek Water and Sewer District, which serves the northern portion of the County. The County also operates a sewer system that serves the western campus of the North Carolina Justice Academy.

The County no longer operates a public solid waste landfill. During fiscal year 1997-98, the County closed its landfill and constructed a transfer station. State and federal laws require the County to perform certain maintenance and monitoring functions at the closed landfill site for 30 years after closure. The costs associated with performing these functions are budgeted on an annual basis. The County currently has a six-year contract with Waste Management of South Carolina to haul and dispose of municipal solid waste, which will expire at the end of calendar year 2006.

Other Services. The County provides funding for the operation of the Sheriff's Department, Jail, paramedic-staffed Emergency Medical Services and other public safety programs. The total appropriation for public safety in fiscal year 2006 was \$17,121,034. The unincorporated areas of the County are served by 13 volunteer fire and rescue departments.

The County also provides other services such as an animal shelter, a Public Library System, an Inspections Department, Planning Department and the Emergency Shelter for Children.

DEBT INFORMATION

Legal Debt Limit. In accordance with the provisions of the State Constitution and The Local Government Bond Act, as amended, allowing for the issuance of all presently authorized indebtedness, the County has the statutory capacity to incur additional net general obligation debt in the approximate amount of \$637,791,812 (2005 CAFR).

Outstanding General Obligation Debt.

	Principal Outstanding as of			
	June 30, 2002	June 30, 2003	June 30, 2004	June 30, 2005
Refunding Bonds	\$14,775,000	\$12,690,000	\$10,645,000	\$8,640,000

General Obligation Debt Ratios.

<u>At July 1</u>	<u>Total GO Debt</u>	<u>Assessed Valuation</u>	<u>Total GO Debt to Assessed Valuation</u>	<u>Population¹</u>	<u>Total GO Debt Per Capita</u>
2001	\$16,895,000	\$7,206,444,200	.23	91,544	\$184.56
2002	14,775,000	7,508,015,000	.20	92,988	158.89
2003	12,690,000	8,751,418,050	.15	94,496	134.29
2004	10,645,000	8,886,186,034	.12	96,124	112.65
2005	8,640,000			96,124 ²	

¹ Estimates of North Carolina Office of State Budget and Management.

² For purposes of this schedule, the 2003 population is being used.

General Obligation Debt Service Requirements and Maturity Schedule.

<u>Fiscal Year</u>	<u>Existing Debt</u>	
	<u>Principal</u>	<u>Principal & Interest</u>
2005-06	\$1,960,000	\$2,312,812.50
2006-07	1,920,000	2,194,412.50
2007-08	1,875,000	2,072,612.50
2008-09	1,825,000	1,947,612.50
2009-10	<u>1,060,000</u>	<u>1,105,050.00</u>
	\$8,640,000	\$9,632,500.00

General Obligation Bonds Authorized and Unissued.

The County has no general obligation debt authorized.

General Obligation Debt Information for Underlying Units as of June 30, 2005.

<u>Unit</u>	2003 <u>Population</u> ¹	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>	<u>Debt Authorized and Unissued</u>		<u>Total GO Debt</u>		<u>Per Capita</u>
				<u>Utility</u>	<u>Other</u>	<u>Utility</u>	<u>Other</u>	
Hendersonville	11,674	\$1,186,604,448	\$.45	\$ -	\$2,100,000	\$1,940,000	\$1,260,000	\$274.11
Cane Creek Water & Sewer District	22,600	\$1,605,936,740	-	-	-	1,209,000	-	54.78

¹ Estimate of the North Carolina Office of Budget and Management.

Other Long-Term Commitments. The County has entered into various installment financings with debt service as indicated below.

<u>Fiscal Year</u>	<u>Existing Debt</u>	
	<u>Principal</u>	<u>Principal & Interest</u>
2006	\$3,139,481	\$5,846,791
2007	3,881,572	6,452,491
2008	3,070,247	5,505,333
2009	3,159,167	5,474,062
2010	3,649,167	5,834,646
2011-2015	18,210,833	26,691,370
2016-2020	15,920,834	20,138,270
2021-2025	<u>10,960,000</u>	<u>12,063,138</u>
	\$61,991,301	\$88,006,101

The County has entered into various agreements relating to economic and industrial development. The aggregate principal amount of these long-term obligations was \$1,054,197 at June 30, 2005.

In addition, as mentioned earlier, Margaret R. Pardee Memorial Hospital is a general community hospital operated through a lease from the County to Henderson County Hospital Corporation that will terminate no earlier than June 30, 2008. In September 2001, the County issued \$15,300,000 principal amount of its Hospital Revenue Bonds to finance capital improvements at the hospital. The revenue bonds are payable from the net revenues of the hospital and do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the County's property or upon its income, receipts or revenues. Furthermore, the County's taxing power is not pledged for payment on the revenue bonds.

Hospital Revenue Bonds

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$535,000	\$1,660,800
2007	560,000	1,596,600
2008	590,000	1,529,400
2009	620,000	1,458,600
2010-2014	3,600,000	6,099,200
2015-2019	4,590,000	3,712,800
2020-2024	<u>3,345,000</u>	<u>816,000</u>
	\$13,840,000	\$16,873,400

Debt Outlook. The County expects to begin rehabilitation of its historic County Courthouse and construct a new elementary school due to population growth demands in the third quarter of 2005. In 2006, the County expects to build a new classroom building for the community college, construct and renovate an existing elementary school and build a new elementary school to replace an existing one. The County has not determined the method or amounts of the above-described financings, although the County is currently contemplating installment financings.

TAX INFORMATION

General Information.

	<u>Fiscal Year Ended of Ending June 30</u>		
	<u>2003</u>	<u>2004⁴</u>	<u>2005</u>
Assessed Valuation:			
Assessment Ratio ¹	100%	100%	100%
Real Property	\$6,522,180,388	\$6,934,977,093	\$7,158,788,592
Personal Property	823,241,412	1,655,464,423	1,566,393,810
Public Service Companies ²	<u>162,593,200</u>	<u>160,976,534</u>	<u>161,003,632</u>
Total Assessed Valuation	\$7,508,015,000	\$8,751,418,050	\$ 8,886,186,034
Rate per \$100	.50	.475	.475
Levy ³	\$ 37,594,436	\$ 41,588,433	\$ 42,209,384

¹ Percentage of appraised value has been established by statute.

² Valuation of railroads, telephone companies and other utilities as determined by the North Carolina Property Tax Commission.

³ In addition to the Countywide rate, the table below lists the levies by the County on behalf of fire districts for the fiscal years ended or ending June 30.

⁴ Revaluation of real property became effective with the 2003-2004 tax levy. The next revaluation will become effective with the 2007-08 tax levy.

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Countywide	\$37,594,436	\$41,588,433	\$42,292,495	
Fire Districts	<u>4,847,126</u>	<u>4,831,378</u>	<u>5,236,719</u>	
Total Levy	\$42,441,562	\$46,419,811	\$47,529,214	

Source: County Tax Assessor.

Tax Collections.

<u>Fiscal Year Ended June 30</u>	<u>Prior Years' Levies Collected</u>	<u>Current Year's Levy Collected</u>	<u>Percentage of Current Year's Levy Collected</u>
2001	\$ 1,120,081	\$ 33,234,919	96.4%
2002	1,367,658	34,972,030	96.9
2003	1,233,844	36,389,317	96.8
2004	1,154,212	40,302,593	96.9
2005		41,166,934	97.3

Ten Largest Taxpayers for Fiscal Year 2004-05.

<u>Taxpayer</u>	<u>Type of Enterprise</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Percentage Of Total Tax Levy</u>
Duke Energy	Utility	\$89,740,421	\$ 426,267	1.02%
Continental Teves	Brake Systems	89,529,474	425,265	1.01
Meritor Automotive, Inc.	Truck Axles	86,923,158	412,885	0.99
Kimberly-Clark	Health Products	83,939,789	398,714	0.95
Raflatac, Inc.	Paper Products	53,689,263	255,024	0.61
General Electric Company	Lighting Systems	53,656,842	254,870	0.60
BellSouth	Utility	44,690,316	212,279	0.72
Borg-Warner Automotive	Cooling Systems	38,132,421	181,129	0.51
Steelcase, Incorporated ¹	Office Furniture	36,717,895	174,410	0.41
Wilsonart International	Laminated Plastics	<u>33,450,105</u>	<u>158,888</u>	<u>0.38</u>
		\$610,469,684	\$2,899,731	7.20%

¹ Closed its facility in December 2004.

2005-2006 BUDGET

The County's budget for the 2005-2006 fiscal year was adopted with a property tax rate of 51.5 cents per \$100 assessed value of property. The adopted budget for the 2005-2006 fiscal year totaled \$91,260,258 for the general fund and \$105,927,853 for all funds, compared to the adopted budget for the 2004-2005 fiscal year, which totaled \$83,077,962 for the general fund and \$100,184,470 for all funds.

The County's adopted General Fund budget for the fiscal year ending June 30, 2006 represents a 9.8% increase from the fiscal year 2004-2005 budget. Property tax growth is expected to be less than the County's typical growth of between 3% and 3.5%. As the economy improves, sales tax, the second largest revenue source, is expected to increase by 5% over the

previous year's collections. Based on preliminary projections the County expects to end the current fiscal year with a balanced budget without imposing any spending reductions.

The County expects to present its preliminary fiscal year 2006-2007 budget to its Board of Commissioners on May 17, 2006. The County must adopt a budget prior to June 30, 2006. Property tax valuation growth is expected to be better than the previous fiscal year and sales tax growth is expected to continue as the economy turns around. Staff is currently reviewing fees and other charges for services to identify other areas for potential revenue growth. A number of the Board of Commissioner's Strategic Plan Initiatives, including capital projects, personnel and land development, will be priorities in the fiscal year 2006-2007 budget.

FINANCIAL INFORMATION

The financial statements of the County have been audited by certified public accountants for the fiscal years ended June 30, 2005, 2004 and 2003. Copies of these financial statements containing the unqualified report of the independent certified public accountants are available in the Office of Budget and Finance, Henderson County, 113 N. Main Street, Hendersonville, North Carolina 28792 ((828) 697-4821).

The financial statements in Appendix A are the General Purpose Financial Statements of the County and the notes thereto, taken from the Comprehensive Annual Financial Report of the County for the fiscal year ended June 30, 2005. The County will certify at the same time that the 2006A Certificates are executed and delivered that there has been no material adverse change in the County's financial position since June 30, 2005.

The Government Finance Officers Association of the United States and Canada ("*GFOA*") awarded a Certificate of Achievement for Excellence in Reporting to the County for its comprehensive annual financial report for the last 16 consecutive years. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report with contents that conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

LEGAL MATTERS

CONTINGENT LIABILITIES

The County has no contingent liabilities which, in the opinion of the County Attorney, would materially and adversely affect the County's ability to meet its financial obligations.

OPINIONS OF COUNSEL

Legal matters related to the execution, sale and delivery of the 2006A Certificates are subject to the approval of LeBoeuf, Lamb, Greene & MacRae, L.L.P., New York, New York,

Special Counsel. Certain legal matters will be passed upon for the County by the Office of the County Attorney, Hendersonville, North Carolina, for the Corporation by its counsel, Kennon, Craver, Belo, Craig & McKee, PLLC, Durham, North Carolina, and for the Underwriters by their counsel, Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina. The opinion of LeBoeuf, Lamb, Greene & MacRae, L.L.P. substantially in the form set forth in Appendix C hereto will be delivered at the time of the delivery of the 2006A Certificates.

TAX TREATMENT

Federal Income Taxes. The Code establishes certain requirements that must be met subsequent to the execution and delivery of the 2006A Certificates in order that the portion of each installment payment under the Contract designated as and comprising interest received by the owners of the 2006A Certificates be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to the Code. Noncompliance with such requirements may cause such interest to be included in gross income of the owners thereof retroactive to the date of execution and delivery of the 2006A Certificates, regardless of when such noncompliance occurs.

The County has covenanted to do and perform all acts and things permitted by law and necessary to assure that the portion of each installment payment under the Contract designated as and comprising interest received by the owners of the 2006A Certificates be and remain excluded from gross income of the owners thereof for federal income tax purposes pursuant to the Code (the “*Covenant*”). The Arbitrage and Use of Proceeds Certificate of the County (the “*Tax Certificate*”), which will be delivered concurrently with the delivery of the 2006A Certificates, will contain provisions and procedures regarding compliance with the requirements of the Code. The County, in executing the Tax Certificate, will certify that the County expects and intends to comply with the provisions and procedures contained therein.

Tax Opinions. In the opinion of LeBoeuf, Lamb, Greene & MacRae, L.L.P., Special Counsel to the County, assuming compliance by the County with the Covenant and assuming the material accuracy of the representations, statements of intention and reasonable expectations and certifications of fact contained in the Tax Certificate, under existing law, the portion of each installment payment under the Contract designated as and comprising interest received by the owners of the 2006A Certificates is excluded from gross income of the owners thereof for federal income tax purposes pursuant to the Code. In addition, under existing law, such interest is not treated as a preference item for purposes of computing the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, *however*, is taken into account in the computation of “adjusted current earnings” for purposes of computing the alternative minimum tax that may be imposed on corporations. In the further opinion of Special Counsel, under existing law, the portion of each installment payment under the Contract designated as and comprising interest received by the owners of the 2006A Certificates is exempt State of North Carolina income taxation. No opinion is expressed as to whether, in the event of a non-appropriation, any amounts received by the owners of a 2006A Certificate from Policy proceeds would be excluded from gross income for purposes of federal income taxation or be exempt from North Carolina state income taxation. For other federal tax information, see “--***Certain Federal Tax Consequences***” herein.

Certain Federal Tax Consequences. Prospective purchasers of the 2006A Certificates should be aware that ownership of governmental obligations, such as the 2006A Certificates, may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individuals otherwise eligible for the earned income credit, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from the ownership of the 2006A Certificates. Special Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Tax Treatment of Discounted Certificates. Under the Code, the difference between the principal amount of the 2006A Certificates maturing in the year 20__ (the “*Discount Certificates*”), and the initial offering price to the public (excluding bond houses, brokers and other intermediaries or similar persons or organizations acting in the capacity of underwriters or wholesalers), assuming it is the first price at which price a substantial amount of such Discount Certificates is sold, constitutes original issue discount. Original issue discount on the Discount Certificates represents interest which is excluded from gross income for federal income tax purposes. A portion of such interest that accrues to the owners of the Discount Certificates in each year, however, as described below, is included in the calculation for determining a corporate taxpayer’s alternative minimum tax and may result in collateral federal income tax consequences for certain taxpayers. Consequently, corporate owners of Discount Certificates should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or other collateral federal income tax consequences although the owner may not have received cash in such year. The original issue discount on each of the Discount Certificates is treated as accruing daily over the term of such Discount Certificates on the basis of a constant yield compounded at the end of each accrual period. A purchaser in the initial offering who acquires a Discount Certificate at an issue price equal to the initial offering price thereof as set forth on the cover page hereof, assuming it is the first price at which a substantial amount of such Discount Certificates are sold, will be treated as receiving interest not included in gross income for federal income tax purposes in an amount equal to the original issue discount accruing during the period he holds such Discount Certificate and will increase his adjusted basis in such Discount Certificate by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Certificate.

Owners who purchase Discount Certificates in the initial public offering but at a price different from the first price during the initial offering at which a substantial amount of the Discount Certificates are sold to the public should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Certificate. The Code contains certain provisions relating to the accrual of original issue discount in the case of subsequent purchasers of obligations such as the Discount Certificates. Owners who do not purchase Discount Certificates in the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Certificates. Owners of Discount Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, prepayment or other disposition of Discount Certificates and with respect to the state and local tax consequences of owning and disposing of such Discount Certificates. It is possible that under the applicable provisions governing the

determination of state or local income taxes, accrued interest on the Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year.

Tax Treatment of Premium Certificates. The initial public offering prices of the 2006A Certificates maturing in the year 20__ (the “*Premium 2006A Certificates*”) are greater than the amounts payable at maturity. An amount equal to the excess of the initial public offering price of Premium 2006A Certificates over its stated prepayment price at maturity constitutes original issue premium using constant yield principles, based on the owner’s yield to maturity. As original issue premium is amortized, the owner’s basis in such Premium 2006A Certificate is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium 2006A Certificate prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Owners of Premium 2006A Certificates should consult their personal tax advisors with respect to the determination and treatment of original issue premium for federal income tax purposes and with respect to state and local tax consequences of holding Premium 2006A Certificates.

CONTINUING DISCLOSURE OBLIGATION

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (“*SEC*”) under the Securities Exchange Act of 1934 (“*Rule 15c2-12*”), the County has undertaken in the Contract, for the benefit of the beneficial owners of the 2006A Certificates, to provide:

(1) by not later than seven months after the end of each fiscal year of the County, commencing June 30, 2006, to each nationally recognized municipal securities information repository (each, a “*NRMSIR*”) and to the appropriate state information depository, if any, for the State of North Carolina (“*SID*”), the audited financial statements of the County 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 are not then available, unaudited financial statements of the County for such Fiscal Year to be replaced subsequently by audited financial statements of the County to be delivered within 15 days after such audited financial statements become available for distribution;

(2) by not later than seven months after the end of each fiscal year of the County, commencing June 30, 2006, to each NRMSIR and to the SID, if any, (a) the financial and statistical data as of a date not earlier than the end of such fiscal year for the type of information included under the captions “**THE COUNTY--DEBT INFORMATION**” and “**-TAX INFORMATION**” herein (excluding any information on overlapping or underlying debt) and (b) the combined budget of the County for the current fiscal year, to the extent such items are not included in the audited financial statements referred to above;

(3) in a timely manner to each NRMSIR or to the Municipal Securities Rulemaking Board (the "MSRB") and to the SID, if any, notice of the occurrence of any of the following events with respect to the 2006A Certificates, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the 2006A Certificates;
- (g) modifications to rights of beneficial owners of the 2006A Certificates;
- (h) call of any of the 2006A Certificates for prepayment, other than mandatory prepayment;
- (i) defeasance of any of the 2006A Certificates;
- (j) release, substitution, or sale of property securing repayment of the 2006A Certificates;
- (k) rating changes; and

(4) in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, notice of the failure by the County to provide the required annual financial information described in (1) and (2) above on or before the date specified.

The County may meet the continuing disclosure filing requirements described above (i) solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the U.S. Securities and Exchange Commission ("SEC") has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004, or (ii) by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such NRMSIR or SID, to the extent permitted by the SEC or SEC staff or required by the SEC. For this purpose, permission shall be deemed to have been granted by the SEC staff if and to the extent the agent or conduit has received an interpretive letter, which has not been withdrawn from the SEC staff, to the effect that using the agent or conduit to transmit information to the NRMSIRs and the SID will be treated for purposes of SEC Rule 15c2-12(b)(5) as if such information were transmitted directly to the NRMSIRs and the SID.

At present, Section 159-34 of the General Statutes of North Carolina requires the County's financial statements to be prepared in accordance with generally accepted accounting principles and to be audited in accordance with generally accepted auditing standards.

If the County fails to comply with the undertaking described above, any beneficial owner of the 2006A Certificates may take action to protect and enforce the rights of the beneficial owners with respect to such undertaking, including an action for specific performance. A FAILURE BY THE COUNTY TO COMPLY WITH ITS RULE 15C2-12 UNDERTAKING, HOWEVER, WILL NOT

BE AN EVENT OF DEFAULT UNDER THE CONTRACT AND WILL NOT RESULT IN ACCELERATION OF THE INSTALLMENT PAYMENTS.

The County may modify from time to time, consistent with Rule 15c2-12, the information to be provided, to the extent necessary or appropriate in the judgment of the County, but: (1) any such modification may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the County; (2) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12 as well as any changes in circumstances; and (3) any such modification does not materially impair the interest of the beneficial owners, as determined by parties unaffiliated with the County (such as the Trustee or nationally recognized bond counsel) or by the approving vote of the beneficial owners of a majority in principal amount of the 2006A Certificates then Outstanding pursuant to the terms of the Indenture, as it may be amended from time to time, at the time of the amendment. Any annual financial information containing modified operating data or financial information will explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided. The County's Rule 15c2-12 undertaking will terminate on payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the Installment Payments or the 2006A Certificates.

The County has not failed to provide any information to be provided by any undertaking previously made by the County pursuant to the requirements of Rule 15c2-12.

UNDERWRITING

The Underwriters have agreed to purchase the 2006A Certificates at a price equal to the principal amount thereof, plus accrued interest thereon from June 1, 2006 to the date of delivery, less an Underwriters' discount of \$_____. The Underwriters are committed to take and pay for all of the 2006A Certificates if any are taken. The Underwriters may offer and sell the 2006A Certificates to certain dealers (including dealers depositing the 2006A Certificates into investment trusts) and others at prices lower than the initial public offering prices stated on the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

Wachovia Securities is the trade name under which Wachovia Corporation conducts its investment banking, capital markets and institutional securities business through Wachovia Capital Markets, LLC, member NYSE, NASD, SIPC and through other bank, non-bank and broker-dealer subsidiaries of Wachovia Corporation, including Wachovia Bank, National Association.

RATINGS

As shown on the cover, the 2006A Certificates have been assigned a rating of "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch on the understanding that the Insurer will deliver the Policy with respect to the 2006A Certificates. The 2006A Certificates have been rated "___"

by Moody's, "___" by S&P and "___" by Fitch without consideration of the Policy. Upon issuance of the Policy, the ratings on the 2006A Certificates will be as described in the first sentence above.

Such ratings reflect only the view of Moody's, S&P and Fitch at the time the ratings were given, and neither the Corporation, the County nor the Underwriters make any representations as to the appropriateness of such ratings. The ratings are not a recommendation to buy, sell or hold the 2006A Certificates and should be evaluated independently. There is no assurance that such ratings will not be withdrawn or revised downward by Moody's or S&P. Any such action may have an adverse effect on the market price of the 2006A Certificates. Neither the Corporation, the County nor the Underwriters have undertaken any responsibility after the execution and delivery of the 2006A Certificates to assure maintenance of the ratings or to oppose any such revision or withdrawal.

MISCELLANEOUS

All quotations from and summaries and explanations of the Contract, the Deed of Trust and the Indenture contained herein or in Appendix B hereto do not purport to be complete, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement. Copies in reasonable quantity of the Contract, the Deed of Trust and the Indenture may be obtained during the offering period from the Underwriters, at 301 S. College St., NC0612, Charlotte, North Carolina 28202 (704) 715-9256.

The information contained in this Official Statement has been compiled or prepared from information obtained from the County and other sources deemed to be reliable and is believed to be correct as of this date. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

APPENDIX A

**FINANCIAL INFORMATION CONCERNING
THE COUNTY OF HENDERSON, NORTH CAROLINA**

APPENDIX B

SUMMARY OF PRINCIPAL DOCUMENTS

APPENDIX C

FORM OF OPINION OF SPECIAL COUNSEL

APPENDIX D

SPECIMEN INSURANCE POLICY

CONTRACT OF PURCHASE

June 21, 2006

Henderson County Governmental Financing Corporation
Hendersonville, North Carolina

[\$amount]
Certificates of Participation, Series 2006A
(Henderson County Projects)
Evidencing Proportionate Undivided
Interests in Rights to Receive Revenues
Pursuant to an Installment Financing Contract with the
COUNTY OF HENDERSON, NORTH CAROLINA

Ladies and Gentlemen:

Wachovia Bank, National Association and [co-manager?] (together, the “Underwriters”) offer to enter into this Contract of Purchase (this “Purchase Contract”) with the Henderson County Governmental Financing Corporation (the “Corporation”) for the purchase and sale by the Underwriters of the Certificates of Participation, Series 2006A (Henderson County Projects) (the “2006A Certificates”), evidencing proportionate undivided interests in rights to receive certain revenues pursuant to an Installment Financing Contract dated as of June 1, 2006 (the “Agreement”), between the Corporation and the County of Henderson, North Carolina (the “County”). This offer is made subject to the terms and provisions of this Purchase Contract and satisfaction of each of the following conditions: (1) acceptance by the Corporation and (2) delivery to the Underwriters of a Letter of Representation dated the date hereof in the form attached hereto as Exhibit A and duly executed by the County (the “Letter of Representation”). Upon satisfaction of the foregoing conditions, this Purchase Contract will be in full force and effect in accordance with its terms and will be binding on the Corporation and the Underwriters. If the foregoing conditions are not satisfied as provided above, this offer is subject to withdrawal by the Underwriters upon written notice delivered to the Corporation at any time prior to acceptance.

This offer is made subject to your acceptance of this Purchase Contract on or before noon on June 21, 2006.

All terms not otherwise defined herein shall have the same meanings as set forth in the Agreement or the Indenture described below.

1. *Purchase and Sale of Certificates.* Upon the terms and conditions and in reliance upon the respective representations, warranties and covenants herein and in the Letter of Representation, the Underwriters hereby agree to purchase from the Corporation, and the Corporation hereby agrees to sell to the Underwriters, all (but not less than all) of \$[amount] aggregate principal amount of the 2006A Certificates at the purchase price (the "*Purchase Price*") of \$_____ (equal to the par amount of the 2006A Certificates less an Underwriters' discount of \$_____ plus net original issue premium of \$_____) plus accrued interest of \$_____, assuming a Closing Date of June 29, 2006. The 2006A Certificates will be executed and delivered pursuant to and secured by an Indenture of Trust dated as of June 1, 2006 (the "*Indenture*"), by and between the Corporation and First-Citizens Bank & Trust Company, as trustee (the "*Trustee*"), and will mature, subject to the right of redemption, as more fully described in the Indenture. The 2006A Certificates will bear interest from their date, and will have such other terms and provisions, as described in the Final Official Statement (hereinafter defined in Section 2 hereof).

The 2006A Certificates are being executed and delivered to (1) finance a portion of the cost of designing, acquiring, constructing, renovating and equipping certain school facilities (the "*School Facilities*") and designing, acquiring, constructing and equipping certain other facilities together with the School Facilities, the "*Facilities*") and (2) pay certain costs incurred in connection with the execution and delivery of the 2006A Certificates, including the cost of a financial guaranty insurance policy (the "*Policy*") to be delivered by Ambac Assurance Corporation (the "*Insurer*") simultaneously with delivery of the 2006A Certificates. The Agreement provides for payment by the County of moneys sufficient to pay the scheduled payments on the 2006A Certificates and all other expenses of the Corporation associated with the Facilities. As security for the 2006A Certificates, the Corporation will assign to the Trustee for the benefit of the registered owners of the 2006A Certificates (the "*Owners*") substantially all of its rights under the Agreement and certain moneys and securities held by the Trustee under the Indenture. As security for its obligations under the Agreement, the County will execute and deliver to the deed of trust trustee, for the benefit of the Corporation, a Deed of Trust and Security Agreement dated as of June 1, 2006 (the "*Deed of Trust*"), granting, among other things, a lien of record on the real property on which certain of the Facilities are located (the "*Mortgaged Property*"), subject to Permitted Encumbrances (as defined in the Deed of Trust). Pursuant to the Agreement, Installment Payments payable by the County thereunder will be paid directly to the Trustee.

The School Facilities are subject to a Lease dated as of June 1, 2006 (the "*Lease*") between the County, as lessor, and the Henderson County Board of Public Education (the "*Board of Education*"), as lessee. The Board of Education will also enter into an Agency Agreement dated as of June 1, 2006 (the "*Agency Agreement*") with the County, whereby the County will appoint the Board of Education as its agent to carry out all phases of the design, construction, acquisition, renovation and equipping of the School Facilities subject to the Lease.

The Underwriters agree to make a bona fide public offering of all of the 2006A Certificates at the initial offering prices or yields set forth on the cover of the Final Official Statement. The Underwriters, however, reserve the right to change such initial offering prices or yields as the Underwriters deem necessary in connection with the marketing of the 2006A Certificates and to offer and sell the 2006A Certificates to certain dealers (including dealers depositing the 2006A Certificates into investment trusts, including investment trusts managed by an Underwriter) and others at prices lower than the initial offering prices or yields set forth in the Final Official Statement. The Underwriters also reserve the right to over-allot or effect transactions which stabilize or maintain the market price of the 2006A Certificates at a level above that which might otherwise prevail in the open market and to discontinue such stabilizing, if commenced, at any time. The Underwriters will provide to LeBoeuf, Lamb, Greene & MacRae L.L.P., New York, New York (“*Special Counsel*”) and others such evidence of the initial public sale price of the 2006A Certificates as the Corporation or the County may request and will supplement such information as may be necessary to continue its accuracy. The Underwriters represent and warrant that the 2006A Certificates will be offered only pursuant to the Preliminary Official Statement (defined below in Section 2) and the Final Official Statement and only in states where the offer and sale of the 2006A Certificates are legal, either as exempt securities, as exempt transactions or as a result of registration of the 2006A Certificates for sale in any such state.

2. *Official Statement.*

(a) The Corporation agrees to cause the County to deliver to the Underwriters, at such addresses as the Underwriters shall specify, as many copies of the final Official Statement dated June 21, 2006 relating to the 2006A Certificates (the “*Final Official Statement*”) as the Underwriters shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “*Rule*”) and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The Corporation agrees to cause the County to deliver such Final Official Statements within seven business days after the execution hereof. It is understood that, in undertaking to cause the County to deliver Final Official Statements pursuant to this subparagraph (a), neither the Corporation nor the directors, officers, employees or agents of same are undertaking any responsibility for the accuracy or completeness of the information in the Final Official Statement concerning the County.

The Underwriters represent that a copy of the Final Official Statement will be deposited before the “*end of the underwriting period,*” as defined below, with each of the following municipal securities information repositories:

Standard & Poor’s
Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041

Bloomberg Municipal Repositories
100 Business Park Drive
Skillman, NJ 08558

FT Interactive Data
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024

Municipal Securities Rulemaking Board
1150 18th Street, NW
Washington, DC 20036

(b) The Corporation will take all actions and provide all information reasonably requested by the Underwriters to ensure that the Preliminary Official Statement and the Final Official Statement at all times during the initial offering and distribution of the 2006A Certificates do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Corporation will not amend or supplement, or approve any amendment or supplement of, either the Preliminary Official Statement or the Final Official Statement without the prior written consent of the Underwriters (which consent will not be unreasonably withheld); provided, however, that, if between the date of this Purchase Contract and 25 days from the end of the underwriting period, as defined below, any event occurs or any fact is disclosed of which event or fact the Corporation has actual knowledge which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Corporation will promptly notify the Underwriters, and, if in the opinion of the Underwriters such event or disclosure requires the preparation and publication of a supplement or amendment to the Official Statement, the Corporation will supplement or amend the Official Statement in form and manner approved by the Underwriters, and the County shall pay all expenses in association therewith, including reasonable attorneys' fees. For purposes of this Purchase Contract, the "*end of the underwriting period*" will mean the later of (i) the Closing or (ii) the time that the Underwriters no longer retain, directly or as a member of an underwriting syndicate, an unsold balance of the 2006A Certificates for sale to the public. Unless otherwise notified in writing by the Underwriters, the Corporation shall treat the Closing as the "*end of the underwriting period*."

(c) The Corporation agrees to use all reasonable efforts to cause the County to authorize and approve the Preliminary Official Statement dated June 13, 2006 (the "*Preliminary Official Statement*") and the Final Official Statement dated June 21, 2006 (the Final Official Statement, the Preliminary Official Statement and any amendments or supplements that may be authorized for use with respect to the 2006A Certificates are herein referred to collectively as the "*Official Statement*"), to consent to their distribution and use by the Underwriters and to authorize the execution of the Final Official Statement by a duly authorized officer of the County.

3. *Representations, Warranties and Covenants of the Corporation.* The Corporation represents and warrants to the Underwriters that:

(a) the Corporation is a nonprofit corporation duly created and validly existing and in good standing under the laws of the State of North Carolina and has the power and authority and all necessary licenses and permits to conduct its business as described in the Preliminary Official Statement and the Final Official Statement;

(b) to the best of its knowledge, both at the time of its acceptance hereof and at the date of Closing (hereinafter defined), the statements and information contained in the Final Official Statement relating to the Corporation are and will be true, correct and complete in all material respects and do not and will not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respect; provided, however, that the Corporation makes no representation with respect to the information in the Final Official Statement supplied by the County (including the financial and statistical information in Appendix A thereto) or the Underwriters, or any other party, if applicable, other than that it has no knowledge or notice that such information is inaccurate or misleading;

(c) the Corporation will cooperate with the Underwriters and their counsel at the Underwriters' sole expense in taking all necessary action to qualify the Certificates for offer and sale under the securities or "Blue Sky" laws of such jurisdictions as the Underwriters may reasonably request and authorizes the Underwriters, at the Underwriters' sole expense, to make any necessary filings on behalf of the Corporation in taking any such necessary action; provided, however, that the Corporation will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with such qualification;

(d) the execution and delivery by the Corporation of this Purchase Contract, the Indenture, the Agreement, and the Final Official Statement were duly approved by the Corporation's Board of Directors in complete conformity with the Articles of Incorporation and the Bylaws of the Corporation and North Carolina law;

(e) the approval, execution and delivery of this Purchase Contract, the Indenture and the Agreement and compliance with the provisions thereof and hereof under the circumstances contemplated thereby and hereby, do not and will not conflict with, constitute a breach of or default under, or result in the creation of a lien on any property of the Corporation (except as contemplated therein) pursuant to applicable law or any indenture, bond order, deed of trust, mortgage, agreement or other instrument to which the Corporation is a party except as described in the Final Official Statement, or conflict with or violate any applicable law, administrative rule, regulation, judgment, court order or consent decree to which the Corporation is subject;

(f) there is no claim, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending or, to the best of its knowledge, threatened (i) contesting the corporate existence

or powers of the Corporation or the titles of the officers of the Corporation to their respective offices, (ii) seeking to prohibit, restrain or enjoin the collection of revenues by the Corporation or the application of the proceeds of the 2006A Certificates wherein an unfavorable decision, ruling or finding would materially adversely affect the financial position of the Corporation or the validity or enforceability of the 2006A Certificates, the Indenture, the Agreement or this Purchase Contract, (iii) contesting or affecting the validity of the Indenture, the Agreement or this Purchase Contract or (iv) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement (nor, to the best knowledge of the Corporation, is there any basis therefor);

(g) the Corporation is not in default in the payment of the principal of or interest on any indebtedness for borrowed money or under any instrument under or subject to which any indebtedness has been incurred, and to the best of its knowledge, no event has occurred or is continuing that, with the lapse of time or the giving of notice or both, would constitute an event of default under any such agreement;

(h) any certificate signed by the President or Vice President of the Corporation and delivered to the Underwriters will be deemed to be a representation and warranty by the Corporation to the Underwriters as to the statements made therein;

(i) when duly executed and delivered at the Closing in accordance with the provisions of this Purchase Contract, the Indenture and the Agreement will have been duly authorized, executed and delivered by the Corporation and will constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except insofar as the enforcement thereof may be limited by bankruptcy, insolvency or similar laws relating to the enforcement of creditors' rights; and

(j) when duly executed and delivered at the Closing in accordance with the provisions of this Purchase Contract, the 2006A Certificates will constitute valid and binding proportionate undivided interests in the Corporation's rights to receive Revenues pursuant to the Agreement enforceable in accordance with their terms.

4. *Corporation to Use All Reasonable Efforts to Cause County to Act.* The Corporation will use all reasonable efforts to cause the County to deliver, at the signing hereof, a Letter of Representation in the form of Exhibit A hereto, and at the Closing, a certificate signed by the County Manager of the County as set forth in Section 7(e)(iii)(12).

5. *Closing.* At 10:00 a.m. (New York time) on June 29, 2006 or at such other time or date as has been mutually agreed on by the Corporation, the County and the Underwriters (the "*Closing Date*"), the Corporation will deliver, or cause to be delivered, to the Trustee, the 2006A Certificates in definitive form, duly executed and authenticated and registered in the name of Cede & Co., to be immobilized in the Trustee's custody in accordance with the procedures of The Depository Trust Company ("*DTC*"), together with the other documents hereinafter mentioned; and the Underwriters will accept such delivery and pay the Purchase Price of the 2006A Certificates with bank wire transfer in federal funds payable to the order of the Trustee on behalf of the County.

The activities relating to the final execution and delivery of the 2006A Certificates, the Agreement, the Deed of Trust and the Indenture and the payment therefor and the delivery of all certificates, opinions and other instruments described in Section 7 of this Purchase Contract shall occur at the offices of [**Robinson, Bradshaw & Hinson, P.A., Charlotte, North Carolina**]. The payment for the 2006A Certificates and simultaneous delivery of the 2006A Certificates to the Underwriters is herein referred to as the “*Closing*.” The 2006A Certificates will be delivered in book-entry form as definitive registered 2006A Certificates initially as one certificate for each maturity, registered in the name of Cede & Co., as nominee of DTC, as registered owner of all of the 2006A Certificates, duly executed and authenticated, with CUSIP identification numbers typed thereon. Neither the failure to type such numbers on any 2006A Certificate nor any error in them will constitute cause for a failure or refusal by the Underwriters to accept delivery of the 2006A Certificates and pay the Purchase Price of the 2006A Certificates.

6. *Termination of Purchase Contract.* The Underwriters have the right to cancel its obligation to purchase the 2006A Certificates by notifying the County and the Corporation of their election to do so, if between the date hereof and the Closing Date:

(a) legislation shall have been enacted or introduced by the Congress of the United States, or adopted by either House of the Congress, or enacted or introduced by the General Assembly of the State of North Carolina, or adopted by either House of the General Assembly, or shall have been reported out of committee of either the Congress or the General Assembly, or be pending in committee of either the Congress or the General Assembly, or a decision shall have been rendered by a court of the United States, including the Tax Court of the United States, or a court of the State of North Carolina, or a ruling or an official release shall have been made or a regulation or temporary regulation shall have been proposed or made or a press release or some other form of notice or announcement shall have been issued by the Treasury Department of the United States or the Internal Revenue Service or other federal or state authority having jurisdiction over tax matters, with respect to federal or State of North Carolina taxation upon revenues or other income of the general character to be derived by the County or the Corporation, or upon interest received on obligations of the general character of the 2006A Certificates, or other action or events shall have transpired which would, in the reasonable judgment of the Underwriters, have the purpose or effect, directly or indirectly, of changing the federal or State of North Carolina tax consequences of any of the transactions contemplated in connection herewith;

(b) there shall occur any event, which in the reasonable judgment of the Underwriters (i) would have a material and adverse affect on the market price or marketability of the 2006A Certificates, (ii) would make untrue, incorrect or incomplete in any material respect any statement or information contained in the Official Statement, or (iii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein, under the circumstances in which they were made, not materially misleading;

(c) in the reasonable judgment of the Underwriters, the market price or marketability of the 2006A Certificates or the ability of the Underwriters to enforce

contracts for the sale of 2006A Certificates shall have been materially adversely affected by an amendment of or supplement to the Official Statement;

(d) there shall have occurred any outbreak of hostilities or other local, national or international calamity or crisis, or a default with respect to the debt obligations of, or the institution of proceedings under the federal bankruptcy laws by or against, the County, any state of the United States or agency thereof, or any county or city located in the United States having a population of over one million persons, the effect of which on the financial markets of the United States will be such as, in the reasonable judgment of the Underwriters, makes it impracticable for the Underwriters to market the 2006A Certificates or enforce contracts for the sale of the 2006A Certificates;

(e) there shall have occurred and be in force a general suspension of trading on the New York Stock Exchange or other national securities exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange or other national securities exchange, whether by virtue of a determination by any such exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(f) a general banking moratorium shall have been declared by federal, State of North Carolina or State of New York authorities having jurisdiction and be in force;

(g) there shall occur any material adverse change in the affairs of the County or the Corporation that is not disclosed in the Official Statement;

(h) there shall be established any new restriction on transactions in securities materially affecting the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or the charge to the net capital requirements of underwriters established by the New York Stock Exchange, the Securities and Exchange Commission, any other federal or state agency or the Congress of the United States, or by Executive Order; or

(i) a decision of any federal or state court or a ruling or regulation (final, temporary or proposed) of the Securities and Exchange Commission or other governmental agency shall have been made or issued that would (i) make the 2006A Certificates, or securities similar to the 2006A Certificates subject to the registration requirements of the Securities Act of 1933, as amended, or (ii) require the qualification of an indenture in respect of the 2006A Certificates or any such securities under the Trust Indenture Act of 1939, as amended.

7. *Conditions to Obligations of the Underwriters.* The obligation of the Underwriters to purchase the 2006A Certificates is subject:

(a) to the performance by the Corporation of its obligations to be performed hereunder at and before the Closing;

(b) to the performance by the County of its obligations to be performed under the Letter of Representation at and prior to the Closing;

(c) to the accuracy of the representations and warranties of the Corporation herein as of the date hereof and as of the time of the Closing;

(d) to the accuracy of the representations and warranties of the County in the Letter of Representation as of the date hereof and as of the time of the Closing; and

(e) to the following conditions, including the delivery by the County of such documents as are enumerated herein in form and substance satisfactory to Robinson, Bradshaw & Hinson, P.A., counsel to the Underwriters:

(i) At the time of Closing;

(1) the Final Official Statement, this Purchase Contract, the Agreement, the Deed of Trust, the Indenture and the Policy are in full force and effect and have not been amended, modified or supplemented from the date hereof except as may have been agreed to in writing by the Underwriters;

(2) the proceeds of the sale of the 2006A Certificates are deposited and applied as described in the Final Official Statement; and

(3) the County has duly adopted and there are in full force and effect such resolutions as, in the opinion of Special Counsel, shall be necessary in connection with the transactions contemplated hereby.

(ii) Receipt of the 2006A Certificates, the Agreement, the Deed of Trust and the Indenture at or before the Closing. The terms of the 2006A Certificates, as delivered, shall in all instances be as described in the Final Official Statement. The terms of the Agreement, as delivered, shall, among other things, specify the County's and any other obligated person's undertaking to provide continuing disclosure in accordance with the Rule and Section 2(n) of the Letter of Representation.

(iii) At or prior to the Closing, the Underwriters shall receive copies of the following documents:

(1) Final approving opinion of Special Counsel dated the Closing Date, in substantially the form set forth in Exhibit C to the Official Statement.

(2) Supplementary opinion of Special Counsel addressed to the Underwriters and dated the Closing Date, in substantially the form attached hereto as Exhibit B.

(3) An opinion of the Office of County Attorney, Hendersonville, North Carolina, dated the Closing Date, addressed to the Underwriters, in substantially the form attached hereto as Exhibit C.

(4) An opinion of Kennon, Craver, Belo, Craig & McKee, PLLC, counsel to the Corporation, dated the Closing Date, addressed to the Underwriters, in substantially the form attached hereto as Exhibit D

(5) An opinion of Robinson, Bradshaw & Hinson, P.A., counsel to the Underwriters, dated the Closing Date, addressed to the Underwriters, in form satisfactory to the Underwriters.

(6) The Final Official Statement executed on behalf of the County and the Corporation by duly authorized officers thereof.

(7) Certified copies of all resolutions of the County relating to the 2006A Certificates, the Agreement and the Deed of Trust.

(8) Certified copies of such documents of the Corporation approving the execution and delivery of the Agreement, the Indenture and this Purchase Contract as may be required by Special Counsel.

(9) A specimen 2006A Certificate.

(10) Letters from Moody's Investors Service ("Moody's"), Standard & Poor's, a division of The McGraw-Hill Companies ("S&P"), and Fitch, Inc. ("Fitch") to the effect that the 2006A Certificates have been assigned a rating of no less than "Aaa," "AAA" and "AAA", respectively, on the understanding that the Insurer will deliver the Policy simultaneously with delivery of the 2006A Certificates, and letters from Moody's, S&P and Fitch stating that the 2006A Certificates have been assigned a rating of "A1", "A", and "A+", respectively, without consideration of the Policy, which ratings shall be in effect as of the date of Closing.

(11) A certificate, in form and substance satisfactory to the Underwriters and their counsel, of the President or any duly authorized officer or official of the Corporation satisfactory to the Underwriters and their counsel, dated as of the Closing Date, to the effect that: (i) each of the Corporation's representations, warranties and covenants contained herein are true and correct as of the Closing Date; (ii) the Agreement, the Indenture and this Purchase Contract have been entered into by the Corporation and are in full force and effect and (iii) the 2006A Certificates have been duly executed and delivered by the Corporation.

(12) A certificate, in form and substance satisfactory to the Underwriters and their counsel, dated the Closing Date, executed by an appropriate official of the County to the effect that (i) the representations

and warranties of the County in the Letter of Representation are true and correct in all material respects as of the date of Closing and (ii) the Agreement and the Deed of Trust have been entered into by the County and are in full force and effect.

(13) Executed copies of the County's certification as to non-arbitrage and other matters relative to the tax status of the 2006A Certificates under Section 148 of the Internal Revenue Code of 1986, as amended.

(14) Evidence that the Deed of Trust has been duly recorded and that the financing statements, if any, have been duly filed with regard to the Mortgaged Property.

(15) A copy of a title insurance policy issued by Lawyers Title Insurance Company of North Carolina naming the Trustee as a beneficiary and insuring title to the real estate comprising the Mortgaged Property.

(16) A copy of the executed Policy delivered by the Insurer, substantially in the form attached as Appendix D to the Official Statement.

(17) A certificate of the Insurer, in form and substance satisfactory to the Underwriters and their counsel, dated the Closing Date, executed by an appropriate official of the Insurer to the effect that information included in the Official Statement and its appendices concerning the Insurer and the Policy is true and accurate in all material respects.

(18) An opinion of counsel to the Insurer, addressed to the Underwriter, in a form satisfactory to the Underwriters and their counsel.

(19) Such additional legal opinions, certificates, proceedings, instruments and other documents as counsel to the Underwriters, Special Counsel, or counsel to the Corporation or the County may reasonably request to evidence compliance by the Corporation or the County with legal requirements, the truth and accuracy, as of the time of Closing, of the respective representations of the Corporation and the County herein contained and the due performance or satisfaction by each of them at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by each of them.

The Underwriters have entered into this Purchase Contract in reliance upon the respective representations, warranties and covenants of the Corporation and the County contained in this Purchase Contract and in the Letter of Representation. Unless excused by the Underwriters, the Underwriters' obligations under this Purchase Contract are at all times subject to the conditions set forth in this Section 7 and any other express condition contained in any other Section of this Purchase Contract. If any condition to the Underwriters' obligations is not excused or satisfied on or before the Closing Date (or in the case of events described in Section 6 above, immediately

upon the occurrence of such event), the Underwriters' obligation and, except as otherwise provided in this Purchase Contract, the obligations of the Corporation and the County will be immediately discharged, and the Underwriters may terminate this Purchase Contract at any time. If, however, the Corporation is unable to satisfy the conditions to the obligations of the Underwriters contained in this Purchase Contract, or if the obligations of the Underwriters to purchase and accept delivery of the 2006A Certificates is terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the Corporation shall be under further obligation hereunder; except that the respective obligations to pay expenses, as provided in Section 10, shall continue in full force and effect. All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract will be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, in the reasonable judgment of the Underwriters and counsel to the Underwriters, they are satisfactory in form and substance. The Underwriters hereby expressly reserve the right to waive any of the conditions to its obligations contained in this Purchase Contract.

8. *Mutual Performance.* The obligations of the Corporation under this Purchase Contract are subject to the performance by the Underwriters of their obligations under this Purchase Contract.

9. *Continuation of Obligations.* All representations, warranties and agreements of the Corporation shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriters, and shall survive the Closing. The obligations of the Corporation under Section 10 shall survive any termination of this Purchase Contract by the Underwriters pursuant to the terms hereof.

10. *Expenses.* The Corporation will use all reasonable efforts to cause the County to pay, but only from the proceeds of the 2006A Certificates or moneys made available pursuant to the Indenture, all expenses incident to the performance of its obligations under this Purchase Contract, including, but not limited to, mailing or delivery of the 2006A Certificates, costs of printing the 2006A Certificates, the Preliminary Official Statement and the Final Official Statement, any amendment or supplement to the Preliminary Official Statement or the Final Official Statement and this Purchase Contract, the cost of preparation (including printing, copying and distribution) of the Agreement, the Deed of Trust and Indenture, fees and disbursements of Special Counsel, fees and disbursements of Underwriters' counsel, fees and disbursements of County's counsel, fees and disbursements of Trustee's counsel, fees and disbursements of the Corporation's counsel, fees and expenses of the County's accountants, any fees charged by investment rating agencies for the rating of the 2006A Certificates, fees of the Local Government Commission and the North Carolina Municipal Council, fees of the Trustee and any paying agent fees and additional miscellaneous fees and costs incurred in connection with and related to the transaction.

The Underwriters shall pay all advertising expenses and blue sky expenses in connection with the public offering of the 2006A Certificates and all other expenses incurred by the Underwriters in connection with their public offering and distribution of the 2006A Certificates, including the CUSIP Service Bureau service charge for the assignment of CUSIP numbers for the 2006A Certificates, but excluding fees and disbursements of Underwriters' counsel. The Corporation shall not be liable for payment of any of the above expenses, fees or disbursements,

nor any other expenses, fees or disbursements which are charged or shall arise as a result of the delivery of the 2006A Certificates.

Notices. Any notice or other communication to be given to the County under this Purchase Contract may be given by delivering the same in writing to County of Henderson, 100 N. King St., Hendersonville, North Carolina, 28792 Attention: Finance Director. Any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to Wachovia Bank, National Association, 301 South College St., NC0612, Charlotte, North Carolina 28202, Attention: Mr. David G. Fischer. Any notice or other communication to be given to the Corporation under this Purchase Contract may be given by delivering the same in writing to the Henderson County Governmental Financing Corporation, 100 N. King St., Hendersonville, North Carolina, 28792, Attention: President, with a copy to 4011 University Blvd., Suite 300, Durham, North Carolina 27707, Attention: J. Alan Campbell, Esq.

11. *Benefits of Purchase Contract.* This Purchase Contract is made solely for the benefit of the Underwriters and the Corporation and their respective successors or assigns, and no other person, including any purchaser of the 2006A Certificates, shall acquire or have any right hereunder or by virtue hereof.

12. *Approvals by Underwriters.* The approval of the Underwriters in connection with this Purchase Contract or any document contemplated by it will be in writing signed by the Underwriters and delivered to the Corporation or the County.

13. *Assignment.* This Purchase Contract may not be assigned by the Corporation without the prior written consent of the Underwriters. Any assignment for which consent is not given will be void.

14. *Business Days.* The term “business day” as used in this Purchase Contract will mean any day on which the New York Stock Exchange is open for business.

15. *Severability.* If any one or more of the provisions of this Purchase Contract is, for any reason, held to be illegal or invalid, such illegality or invalidity will not affect any other provisions of this Purchase Contract and this Purchase Contract will be construed and enforced as if such illegal or invalid provisions had not been contained herein.

16. *Governing Law.* This Purchase Contract is governed by and is to be construed in accordance with the laws of the State of North Carolina.

17. *Effective Date; Counterparts.* This Purchase Contract shall become effective on your acceptance hereof. This Purchase Contract may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

18. *Survival of Representations and Warranties.* Notwithstanding any provisions herein to the contrary, any and all representations, warranties and agreements in this Purchase Contract shall survive regardless of (a) any investigation or any statement in respect thereof

made by or on behalf of the Underwriters, (b) delivery of any payment by the Underwriters for the 2006A Certificates hereunder and (c) any termination of this Purchase Contract.

[The remainder of this page intentionally left blank.]

Very truly yours,

WACHOVIA BANK, NATIONAL ASSOCIATION,
on its behalf and on behalf of
[CO-MANAGER?]

By: _____
David G. Fischer
Director

Accepted and confirmed as of
the date first above written:

HENDERSON COUNTY GOVERNMENTAL FINANCING CORPORATION

By: _____
William L. Moyer
Chairman

[Signature page for Contract of Purchase
Certificates of Participation, Series 2006A
(Henderson County Projects)]

EXHIBIT A
LETTER OF REPRESENTATION

June 21, 2006

Wachovia Bank, National Association
Charlotte, North Carolina

[co-manager?]

[\$amount]
Certificates of Participation, Series 2006A
(Henderson County Projects)
Evidencing Proportionate Undivided
Interests in Rights to Receive Revenues
Pursuant to an Installment Financing Contract with the
COUNTY OF HENDERSON, NORTH CAROLINA

Ladies and Gentlemen:

This letter is being delivered to Wachovia Bank, National Association and **[co-manager?]** (together, the “*Underwriters*”), in consideration for your entering into a Purchase Contract dated the date hereof (the “*Purchase Contract*”) with the Henderson County Governmental Financing Corporation (the “*Corporation*”) for the purchase of the above-referenced Certificates of Participation (the “*2006A Certificates*”). Pursuant to the Purchase Contract, the Underwriters have agreed to purchase from the Corporation, and the Corporation has agreed to sell to the Underwriters the 2006A Certificates. In order to induce the Corporation to enter into the Purchase Contract and as consideration for the execution, delivery and sale of the 2006A Certificates by the Corporation and the purchase of them by the Underwriters, the County makes the representations, warranties and covenants contained in this letter. Unless the context clearly indicates otherwise, each capitalized term used in this Letter of Representation will have the meaning set forth in the Purchase Contract.

1. *Approval of Official Statement.* The County has heretofore authorized and approved the Preliminary Official Statement dated June 13, 2006 (the “*Preliminary Official Statement*”) and hereby authorizes and approves the final Official Statement dated June 21, 2006 (the “*Final Official Statement*,” the Preliminary Official Statement and any amendments or supplements that may be authorized for use with respect to the 2006A Certificates are herein referred to collectively as the “*Official Statement*”). The County consents to the distribution and use of the Preliminary Official Statement and Final Official Statement by the Underwriters and authorizes the execution of the Final Official Statement by a duly authorized officer of the County.

The County agrees to deliver to the Underwriters, at such addresses as the Underwriters shall specify, as many copies of the Final Official Statement as the Underwriters shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “Rule”) and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board. The County agrees to deliver such Final Official Statements within seven business days after the execution hereof.

The County will take all actions and provide all information reasonably requested by the Underwriters to ensure that the Official Statement at all times during the initial offering and distribution of the 2006A Certificates does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Neither the Corporation nor the County will amend or supplement, or approve any amendment or supplement of, the Official Statement without the prior written consent of the Underwriters (which consent will not be unreasonably withheld); provided, however, that, if between the date of this Purchase Contract and 25 days from the end of the underwriting period, as defined below, any event occurs or any fact is disclosed which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the County will promptly notify the Underwriters, and, if in the opinion of the Underwriters, such event or disclosure requires the preparation and publication of a supplement or amendment to the Official Statement, the County will supplement or amend the Official Statement in the form and manner approved by the Underwriters. For purposes of this Letter of Representation, the “*end of the underwriting period*” will mean the later of (i) the Closing or (ii) the time that the Underwriters no longer retain, directly or as a member of an underwriting syndicate, an unsold balance of the 2006A Certificates for sale to the public. Unless otherwise notified in writing by the Underwriters and the County shall treat the Closing as the “*end of the underwriting period.*”

The County represents and warrants that (a) it has deemed the Preliminary Official Statement final as of its date except for omitted information permitted under paragraph (b)(1) of the Rule and (b) the Official Statement constitutes as of this date a final official statement within the meaning of paragraph (e)(3) of the Rule.

2. *Representations, Warranties and Covenants of County.* The County represents and warrants to and agrees with the Underwriters that:

(a) the County is a political subdivision, validly organized and existing under the laws of the State of North Carolina;

(b) on the date hereof and at the Closing Date, the statements and information contained in the Official Statement, except for the information contained under the captions “**THE 2006A CERTIFICATES--BOOK-ENTRY ONLY FORM,**” “**INSURANCE FOR THE 2006A CERTIFICATES,**” “**THE CORPORATION**” and “**UNDERWRITING**” and in Appendices C and D thereto, are and will be true, correct and complete in all material respects and do not and will not contain any untrue statement

of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(c) the audited financial reports of the County for the year ended June 30, 2005, included in Appendix A to the Official Statement, present fairly the financial position of the County for the periods specified, and such financial reports and statements have been prepared in conformity with generally accepted accounting principles consistently applied in all material respects to the periods involved, except as otherwise stated in the notes thereto;

(d) other than as set forth in or contemplated by the Official Statement, since June 30, 2005, there has been no material adverse change in the general affairs, financial position, results of operations or condition, financial or otherwise, of the County, and the County has not incurred liabilities that would materially affect the ability of the County to discharge its obligations under this Letter of Representation, the Deed of Trust, the Lease, the Agency Agreement and the Agreement (collectively, the "County Documents"), direct or contingent;

(e) the County has received and there remain currently in full force and effect, or will receive prior to the delivery of the 2006A Certificates, all consents, approvals, authorizations and orders of governmental or regulatory authorities that would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the County of its obligations under the County Documents;

(f) at a meeting of the Board of Commissioners of the County that was duly called and at which a quorum was present and acting throughout, the Board of Commissioners duly approved the execution and delivery by the County of the County Documents;

(g) the approval, execution and delivery of the County Documents by the County and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby and hereby, do not and will not conflict with, constitute a breach of or default under, or result in the creation of a lien on any property of the County (except as contemplated therein) pursuant to applicable law or any indenture, bond order, deed of trust, mortgage, agreement or other instrument to which the County is a party or by which the County is bound, or conflict with or violate any applicable law, administrative rule, regulation, judgment, court order or consent decree to which the County is subject;

(h) to the best of its knowledge, after due and reasonable investigation, there is no claim, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending or threatened (i) contesting the corporate existence or powers of the County or the titles of the officers of the County to their respective offices, (ii) seeking to prohibit, restrain or enjoin the collection of revenues by the County or the application of the proceeds of the 2006A Certificates wherein an unfavorable decision, ruling or finding would materially adversely affect the financial position of the County or the operation of its facilities or the validity or enforceability of the County Documents, (iii) contesting, questioning or

affecting the validity of the County Documents, (iv) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Final Official Statement (nor, to the best knowledge of the County, is there any basis therefor), (v) challenging the right of the County to acquire, construct, install or equip the Facilities or (vi) challenging the transactions contemplated by the Agreement, the Deed of Trust, or the Purchase Contract;

(i) the County is not in default on the payment of the principal of or interest on any indebtedness for borrowed money or under any instrument relating to such indebtedness and no event has occurred and is continuing which, with the lapse of time or the giving of notice or both, might constitute an event of default under any such instrument, and no event has occurred which with the passage of time or the giving of notice, or both, would constitute an event of default as defined in the Agreement;

(j) the County will furnish such information and will cooperate with the Underwriters in taking such actions as the Underwriters may reasonably request to qualify the 2006A Certificates for offer and sale under the Blue Sky or other securities laws and regulations of any state and other jurisdictions of the United States which the Underwriters may designate; provided, however, that the County will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with such qualification;

(k) the County will take all action and provide all information required to be taken or provided by the Corporation under the Purchase Contract in connection with the preparation and distribution of the Official Statement, and the terms and conditions of the Purchase Contract relating to such preparation and distribution, including without limitation the provisions of Section 2 thereof, are incorporated by reference in this Letter of Representation, *mutatis mutandis*;

(l) on the Closing Date, the County Documents will have been duly authorized, executed and delivered and will constitute valid and binding obligations of the County enforceable in accordance with their terms (except insofar as the enforcement thereof may be limited by bankruptcy, insolvency or similar laws relating to the enforcement of creditors' rights);

(m) if, at any time prior to the earlier of (i) receipt of notice from the Underwriters pursuant to Section 2(b) of the Purchase Contract that Official Statements are no longer required to be delivered under the Rule (as defined in the Purchase Contract) or (ii) 90 days after the Closing, any event occurs as a result of which the Preliminary Official Statement or the Final Official Statement as then amended or supplemented might include an untrue statement of a material fact, or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the County shall promptly notify the Underwriters thereof in writing; provided, however, that the County shall have such obligations with respect to information in the Preliminary Official Statement and Final Official Statement concerning and supplied by the Corporation or the Underwriters only to the extent the County has actual knowledge or notice of any such event; any

information supplied by the County for inclusion in any amendments or supplements to the Preliminary Official Statement or Final Official Statement will not contain any untrue or misleading statement of a material fact relating to the County or omit to state any material fact relating to the County necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and on the request of the Underwriters therefor, the County shall prepare and deliver to the Underwriters at the County's expense as many copies of an amendment or supplement which will correct any untrue statement or omission as the Underwriters may reasonably request;

(n) in the Agreement the County will covenant to comply with the information reporting requirements adopted by the Securities and Exchange Commission or the Municipal Securities Rulemaking Board with respect to tax-exempt obligations such as the 2006A Certificates;

(o) the County has not been notified of any listing or the proposed listing by the Internal Revenue Services as an issuer whose arbitrage certifications may not be relied upon; and

(p) any certificate signed by any official of the County and delivered to the Underwriters will be deemed to be a representation by the County to the Underwriters as to the statements made therein.

3. *Indemnification.*

(a) To the fullest extent permitted by applicable law, the County agrees to indemnify and hold harmless the Underwriters against any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities or claims (or actions in respect thereof), to which the Underwriters or the other persons described in subsection (b) of this Section may become subject under any federal or state securities laws or other statutory law or at common law or otherwise, caused by or arising out of or based upon any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in the Official Statement (except for the information contained under the captions "**THE 2006A CERTIFICATES--BOOK-ENTRY ONLY FORM,**" "**INSURANCE FOR THE 2006A CERTIFICATES,**" "**THE CORPORATION**" and "**UNDERWRITING**" and in Appendices C and D thereto) or caused by any omission or alleged omission from the Official Statement of any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(b) The indemnity provided under this Section will extend to the extent permitted by applicable law upon the same terms and conditions to each officer, director, employee or agent of the Underwriters, and each person, if any, who controls the Underwriters within the meaning of Section 15 of the Securities Act of 1933 or Section 20 of the Securities Exchange Act of 1934. Such indemnity will also extend, without limitation, to any and all expenses whatsoever reasonably incurred by any indemnified party in connection with investigation, preparing for or defending against, or providing

evidence, producing documents or taking any other reasonable action in respect of, any such loss, damage, expense, liability, or claim (or action in respect thereof), whether or not resulting in any liability, and will include the aggregate amount paid in settlement of any litigation, commenced or threatened, or of any claim whatsoever as set forth herein if such settlement is effected with the written consent of the County.

(c) Within a reasonable time after an indemnified party under subsections (a) and (b) of this Section has been served with the summons or other first legal process or has received written notice of the threat of a claim in respect of which an indemnity may be claimed, such indemnified party must, if a claim for indemnity in respect thereof is to be made against the County under this Section, notify the County in writing of the commencement thereof; but the omission to so notify the County will not relieve it from any liability that it may have to any indemnified party other than pursuant to subsections (a) and (b) of this Section. The County will be entitled to participate at its own expense in the defense, and if the County so elects within a reasonable time after receipt of such notice, or if all indemnified parties seeking indemnification in such notice so direct, the County must, to the fullest extent permitted by applicable law, assume the defense of any suit brought to enforce any such claim, and such defense will be conducted by counsel chosen promptly by the County and reasonably satisfactory to the indemnified party; provided, however, that, if the defendants in any such action include such an indemnified party and the County, or include more than one indemnified party, and any such indemnified party has been advised by its counsel that there may be legal defenses available to such indemnified party that are different from or additional to those available to the County or another indemnified party, and that in the reasonable opinion of such counsel are sufficient to make it undesirable for the same counsel to represent such indemnified party and the County, or another defendant indemnified party, such indemnified party will have the right to employ separate counsel in such action (and the County will not be entitled to assume the defense thereof on behalf of such indemnified party), and in such event the reasonable fees and expenses of such counsel will, to the fullest extent permitted by applicable law, be borne by the County. Nothing contained in this subsection (c) will preclude any indemnified party, at its own expense, from retaining additional counsel to represent such party in any action with respect to which indemnity may be sought from the County hereunder.

(d) If the indemnification provided for in subsections (a) and (b) of this Section is unavailable to or insufficient to hold harmless and indemnify any indemnified party in respect of any losses, damages, expenses, liabilities, or claims (or actions in respect thereof) referred to therein, then the County, to the extent permitted by applicable law, on the one hand, and the Underwriters, on the other hand, will contribute to the amount paid or payable by the indemnified party as a result of such losses, damages, expenses, liability or claims (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the County on the one hand and the Underwriters on the other hand from the offering of the 2006A Certificates. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, or if the indemnified party failed to give the notice required under the subsection (c) above, then the County, to the extent permitted by applicable law, on the one hand and the Underwriters on the other hand will contribute to such amount paid or

payable by the indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the County on the one hand and the Underwriters on the other in connection with the statements or omissions that resulted in such losses, damages, expenses, liabilities or claims (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the County on the one hand and the Underwriters on the other hand will be deemed to be in such proportion so that the Underwriters are responsible for that portion represented by the percentage that the underwriting discount payable to the Underwriters hereunder (i.e., the excess of the aggregate public offering price for the 2006A Certificates as set forth on the cover page of the Official Statement over the price to be paid by the Underwriters to the County upon delivery of the 2006A Certificates as specified in Section 1 of the Purchase Contract) bears to the aggregate public offering price as described above, and the County is responsible for the balance. The relative fault will be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the County on the one hand or the Underwriters on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

In the event the Underwriters have knowledge of a claim subject to the contribution provided by this subsection (d), the Underwriters agree within a reasonable time of obtaining such knowledge, to convey notice of such claim to the County. It is agreed and understood that if the Underwriters fail under the circumstances set forth in the preceding sentence, to convey the above referenced notice to the County, then the County will not be obligated to provide contribution pursuant to this subsection (d).

The County and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by any method of allocation that does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, damages, expenses, liabilities or claims (or actions in respect thereof) referred to in this subsection (d) will be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.

(e) The indemnity and contribution provided by this Section will be in addition to any other liability that the County may otherwise have hereunder, at common law or otherwise, and is provided solely for the benefit of the Underwriters and each director, officer, employee, agent, attorney and controlling person referred to therein, and their respective successors, assigns and legal representatives, and no other person will acquire or have any right under or by virtue of such provisions of this Letter of Representation.

4. *Survival of Representations, Warranties and Covenants.*

All representations, warranties and agreements in this Letter of Representation will survive regardless of (a) any investigation or any statement in respect thereof made by or on

behalf of the Underwriters, (b) delivery of any payment by the Underwriters for the 2006A Certificates hereunder, and (c) any termination of the Purchase Contract.

5. *Binding on Successors and Assigns.*

This Letter of Representation will be binding upon the County and the successors and assigns of the County and inure solely to the benefit of the Underwriters and, to the extent set forth herein, any director, officer, employee, or agent of the Underwriters and, to the extent set forth herein, persons controlling the Underwriters, and their respective personal representatives, successors and assigns, and no other person or firm or entity will acquire or have any right under or by virtue of this Letter of Representation. Acceptance of this Letter of Representation by the Underwriters is waived.

[The remainder of this page intentionally left blank.]

COUNTY OF HENDERSON, NORTH CAROLINA

By: _____

[who to sign?]

[Signature page for the Letter of Representation
Certificates of Participation, Series 2006A
(Henderson County Projects)]

EXHIBIT B

[Letterhead of LeBoeuf, Lamb, Greene & MacRae L.L.P.]

June 29, 2006

Wachovia Bank, National Association
Charlotte, North Carolina

[co-manager?]

[\$amount]
Certificates of Participation, Series 2006A
(Henderson County Projects)
Evidencing Proportionate Undivided
Interests in Rights to Receive Revenues
Pursuant to an Installment Financing Contract with the
COUNTY OF HENDERSON, NORTH CAROLINA

We have acted as special counsel to the County of Henderson, North Carolina (the "County") in connection with the execution and delivery by Henderson County Governmental Financing Corporation (the "Corporation") of **[\$amount]** Certificates of Participation, Series 2006A (Henderson County Projects) (the "Certificates"), evidencing proportionate undivided interests in rights to receive installment payments and certain other revenues pursuant to an Installment Financing Contract dated as of June 1, 2006 between the Corporation and the County, under and pursuant to the terms of an Indenture of Trust dated as of June 1, 2006 (the "Indenture") between the Corporation and First-Citizens Bank & Trust Company, as trustee. All terms used herein as defined terms and not otherwise defined herein shall have meanings specified therefor in the Indenture.

In our capacity as special counsel, we have on this date delivered our opinion relating to the Certificates, the tax status of the interest component of the Installment Payments and certain other matters, which opinion may be relied upon by you to the same extent as if addressed to you.

In connection with this opinion, we have examined the opinions dated the date hereof of Kennon, Craver, Belo, Craig & McKee, PLLC, counsel to the Corporation, Robinson, Bradshaw & Hinson, counsel to the underwriters and the Office of the County Attorney, the final Official Statement dated June 21, 2006 with respect to the Certificates (the "Official Statement"), and such other documents, certificates, opinions of counsel, instruments and records, and have made such investigations of law, as we have deemed necessary and appropriate as a basis for the opinions hereinafter expressed. In our examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of originals of such copies. As to any facts material to this opinion, which we did not independently establish or verify, we have relied upon statements and representations of representatives or agents of the Corporation, the County and others.

On the basis of and in reliance upon the foregoing, we are of the opinion that (i) the statements in the Official Statement under the captions “INTRODUCTION,” “THE 2006A CERTIFICATES” (except statements under the subcaption “--Book-Entry-Only Form”), “SECURITY AND SOURCES OF PAYMENT OF 2006A CERTIFICATES” (except statements under the subcaption “--Insurance for the 2006A Certificates”), “CONTINUING DISCLOSURE OBLIGATION” and “APPENDIX B - SUMMARY OF PRINCIPAL DOCUMENTS,” insofar as such statements purport to summarize certain provisions of the Contract, the Deed of Trust, the Indenture and the Certificates, present a fair summary of such provisions and (ii) the statements in the Official Statement under the caption “LEGAL MATTERS -- Tax Treatment” present fairly and accurately the matters referred to therein.

We are further of the opinion that in connection with the offering and sale of the Certificates, the Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture does not need to be qualified under the Trust Indenture Act of 1939, as amended.

This opinion is furnished to you solely for your benefit as underwriters and may not be used, circulated, quoted or otherwise referred to without our prior written consent.

Very truly yours,

EXHIBIT C

[Letterhead of Office of the County Attorney]

June 29, 2006

Wachovia Bank, National Association
Charlotte, North Carolina

[co-manager?]

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
New York, New York

County of Henderson, North Carolina
Hendersonville, North Carolina

Henderson County Governmental Financing Corporation
Hendersonville, North Carolina

[\$amount]
Certificates of Participation, Series 2006A
(Henderson County Projects)
Evidencing Proportionate Undivided Interests in Rights to Receive
Revenues Pursuant to an Installment Financing
Contract with the County of Henderson, North Carolina

Ladies and Gentlemen:

The Office of the County Attorney for the County of Henderson, North Carolina (the “County”) serves as legal counsel to Henderson County, North Carolina and has served in such capacity in connection with the execution and delivery by the Henderson County Governmental Financing Corporation (the “Corporation”) of the above-captioned Certificates of Participation (the “2006A Certificates”). The 2006A Certificates are being delivered to the Underwriters today pursuant to a Contract of Purchase, dated June 21, 2006 (the “Contract of Purchase”), by and between the Corporation and Wachovia Bank, National Association and **[co-manager?]** (together the “Underwriters”). Unless otherwise indicated herein, all capitalized terms used herein shall have the meanings given such terms in the Contract of Purchase.

In connection with this opinion, I have examined the Official Statement, the Contract of Purchase, the Indenture, the Agreement, the Deed of Trust, the Letter of Representation that is Exhibit A to the Contract of Purchase and such other documents, records, proceedings and matters of law as I have considered necessary to enable me to render this opinion. Based on the foregoing, I am of the opinion that:

1. The County has full power and authority to execute the Contract of Purchase, the Agreement, the Deed of Trust, the Lease, the Agency Agreement and the Letter of Representation (collectively, the “County Documents”) and to acquire, construct, install and equip the Facilities (as defined in the Agreement) as provided in the Contract of Purchase, the Agreement, the Deed of Trust and the Indenture.

2. The County (i) has duly authorized the execution and delivery of the County Documents and has duly approved the Official Statement, (ii) has duly approved and consented to the use by the Underwriters of the Preliminary Official Statement in connection with the public offering and sale of the 2006A Certificates, (iii) has approved the terms of the Indenture, (iv) has duly approved the form of the Policy and (v) has taken or will take all action necessary or appropriate to carry out the execution, sale and delivery of the 2006A Certificates to the Underwriters and the consummation of the transactions contemplated by the above-described instruments.

3. The execution and delivery of the County Documents and the performance by the County of its obligations thereunder are within the powers of the County and will not in any material respect conflict with or constitute a breach or result in a violation of (i) any federal or state constitutional or statutory provision, (ii) any agreement or other instrument to which the County is a party or by which it is bound, or (iii) any order, rule, regulation, decree or ordinance of any court, government or governmental authority having jurisdiction over the County or its properties.

4. The County has received, and there remain currently in full force and effect, all consents, approvals, authorizations and orders of any governmental or regulatory authority that are required to be obtained by the County as a condition precedent to the lawful acquisition, construction, installation and equipping of the Facilities and the execution and delivery of the 2006A Certificates or the execution and delivery of the County Documents or the performance by the County of its obligations thereunder (provided no representation or warranty is expressed as to any action required under state securities or Blue Sky laws in connection with the purchase or distribution of the 2006A Certificates by the Underwriters.

5. The County is not in violation or breach of or default under any applicable law or administrative regulation of the State of North Carolina or the United States, or to my knowledge, any applicable judgment or decree or administrative ruling or any agreement, resolution, certificate or other instrument to which the County is a party or is otherwise subject, which violation, breach or default would in any way materially adversely affect the County’s financial condition or activities or the transactions contemplated by the Contract of Purchase or the execution and delivery of the 2006A Certificates, and no event has occurred and is continuing which with the passage of time or giving of notice, or both, would constitute such a violation or breach thereof or default thereunder.

6. The execution and delivery of the County Documents and compliance with the provisions of each will not in any material respect conflict with or constitute a breach or violation of or a default under any applicable law, rule or regulation of the United States or of the

State of North Carolina or of any department, division, agency or instrumentality thereof, or, to my knowledge, any applicable order, judgment or decree of any court or other governmental agency or body or any bond, note, loan agreement, resolution, certificate, agreement or other instrument to which the County is a party or by which it is bound.

7. To the extent required prior to the date hereof, the County has complied with all applicable laws and regulations of governmental authorities in connection with the acquisition, construction, installation and equipping of the Facilities.

8. Except as disclosed in the Official Statement, there is no litigation or proceeding of any nature pending, or to my knowledge, threatened, wherein an unfavorable decision, ruling or finding would adversely affect the condition, financial or otherwise, of the County or the transactions contemplated by the Contract of Purchase or which, in any way, would adversely affect the validity of the Contract of Purchase, the Indenture, the Agreement, the Deed of Trust, the Policy, the Letter of Representation, the 2006A Certificates or the exemption of interest with respect to the 2006A Certificates from taxation as described in the Official Statement.

In the course of my participation in the preparation of the Official Statement and my representation of the County, and without having undertaken to determine independently the accuracy and completeness of the statements contained in the Official Statement, nothing has come to my attention that would lead me to believe that the Official Statement (except for financial and statistical data, information concerning The Depository Trust Company and the book-entry system for the 2006A Certificates, and information under the Sections “Insurance for the 2006A Certificates” and “Underwriting,” contained in the Official Statement, as to which I express no opinion) as of its date contained, and as of the date hereof contains, any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

Respectfully submitted,

EXHIBIT D

[Letterhead of Kennon, Craver, Belo, Craig & McKee, PLLC]

June 29, 2006

Wachovia Bank, National Association
Charlotte, North Carolina

[co-manager?]

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
New York, New York

[\$amount]
Certificates of Participation, Series 2006A
(Henderson County Projects)
Evidencing Proportionate Undivided Interests in Rights to Receive
Revenues Pursuant to an Installment Financing
Contract with the County of Henderson, North Carolina

Ladies and Gentlemen:

We have acted as counsel to Henderson County Governmental Financing Corporation (the "Corporation") and have served in such capacity in connection with the execution and delivery by the Corporation of the Certificates of Participation described above (the "2006A Certificates").

We have, as such counsel, examined the following documents:

1. Copies of the Articles of Incorporation and Bylaws of the Corporation;
2. A copy, certified by the Secretary of the Corporation to be a true and correct copy, of those certain resolutions adopted by the Board of Directors of the Corporation at a duly called special meeting of the Directors on _____, 2006 (the "Resolutions"), in connection with the execution, sale and delivery of the 2006A Certificates;
3. An executed copy of the Indenture of Trust, dated as of June 1, 2006 (the "Indenture"), between the Corporation and First-Citizens Bank & Trust Company, as trustee (the "Trustee");
4. An executed copy of the Installment Financing Contract, dated as of June 1, 2006 (the "Contract"), between the Corporation and the County of Henderson, North Carolina (the "County");

5. An executed copy of the Contract of Purchase, dated as of June 21, 2006 (the “Purchase Contract”) between the Corporation and Wachovia Bank, National Association and [co-manager?] (together, the “Underwriters”), relating to the sale of the 2006A Certificates;

6. The Preliminary Official Statement relating to the 2006A Certificates, dated June 13, 2006 (the “Preliminary Official Statement”) and an executed copy of the Official Statement relating to the 2006A Certificates, dated June 21, 2006 (the “Official Statement”); and

7. The Assignment of Deed of Trust and Security Agreement, dated as of June 1, 2006 (the “Assignment”); and

8. Such other documents and related matters of law as we have deemed necessary in order to render this opinion.

Based upon the foregoing, we are of the opinion, as of the date hereof and under existing law, that:

1. The Corporation is duly created and validly existing and in good standing as a nonprofit corporation under the laws of the State of North Carolina.

2. The Resolutions were duly adopted by the Corporation in accordance with its Articles of Incorporation and Bylaws and remain in full force and effect on the date hereof.

3. The Corporation has full power and authority to enter into the Purchase Contract, the Contract, the Indenture, and the Assignment.

4. The Purchase Contract, the Contract and the Indenture have been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Corporation enforceable against the Corporation in accordance with their respective terms, except that the enforceability of such agreements may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors’ rights generally and, to the extent that certain remedies require, or may require, enforcement by a court of equity, by such principles of equity as the court having jurisdiction may impose.

5. The Assignment has been duly authorized, executed and delivered by the Corporation, and constitutes a valid and binding agreement of the Corporation enforceable against the Corporation in accordance with its terms, except that the enforceability of the Assignment may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors’ rights generally and, to the extent that certain remedies require, or may require, enforcement by a court of equity, by such principles of equity as the court having jurisdiction may impose.

6. The 2006A Certificates have been duly authorized, executed and delivered by the Corporation.

7. The corporation has duly approved the Preliminary Official Statement and has duly authorized, executed and delivered the Official Statement.

8. The Corporation obtained all required authorizations, approvals, consents or other orders of and made all required filings or registrations with any court or governmental agency or body required for the valid authorization, execution, sale and delivery of the 2006A Certificates; provided, however, that no representation is made as to any requirements under federal or state securities laws or regulations in connection with the offering and sale of the 2006A Certificates by the Underwriters.

9. To the best of our knowledge, the Corporation is not in violation or breach of or default under any applicable law or administrative regulation of the State of North Carolina or the United States or any applicable judgment or decree or administrative ruling or any agreement, resolution, certificate or other instrument to which the corporation is a party or is otherwise subject, which violation, breach or default would in any way materially adversely affect the Corporation's activities or transactions contemplated by the Purchase Contract or the execution and delivery of the 2006A Certificates, and, to the best of our knowledge, no event has occurred and is continuing which with the passage of time or giving of notice, or both, would constitute such a violation or breach thereof or default thereunder.

10. To the best of our knowledge, there is no litigation or any other proceeding before any court or public board, agency or body pending or to our knowledge threatened wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Purchase Contract or which, in any way, would adversely affect the validity of the Contract, the Indenture, the Purchase Contract, the Assignment or the 2006A Certificates or the exemption of interest with respect to the 2006A Certificates from federal or State of North Carolina taxation as described in the Official Statement.

11. The execution and delivery by the Corporation of the Contract, the Indenture, the Purchase Contract, the Assignment and the 2006A Certificates, and compliance with the provisions of each, will not conflict with or constitute a breach or violation of or a default under any applicable law, rule or regulation of the United States or of the State of North Carolina or of any department, division, agency or instrumentality thereof having jurisdiction over the Corporation, or, to the best of our knowledge, any applicable order, judgment or decree of any court or other governmental agency or body or any bond, note, loan agreement, resolution, certificate, agreement or other instrument to which the Corporation is a party or by which it or its property is bound.

12. The information contained in the Official Statement under the heading "THE CORPORATION" is true and correct in all material respects and does not omit any statement which should be included or referred to therein and that is not included elsewhere in the Official Statement in order to make such information not misleading.

13. The Corporation's assignment of substantially all of its rights, title and interest in and to the Contract as provided in the Indenture and all of its rights, title and interest in and to the Deed of Trust as provided in the Assignment constitutes a valid and binding assignment under the laws of the state of North Carolina.

This opinion is rendered solely for your benefit in connection with the subject transaction and may not be relied upon by you or any other person for any other purposes, without our prior written consent.

Respectfully submitted,

COUNTY OF HENDERSON, NORTH CAROLINA

AS LESSOR,

and

HENDERSON COUNTY BOARD OF PUBLIC EDUCATION,

AS LESSEE

LEASE

Dated as of June 1, 2006

Prepared by:
LeBoeuf, Lamb, Greene & MacRae LLP
125 West 55th Street
New York, New York 10019
(212) 424-8000

Return to:
Charles Russell Burrell, Esq.
Henderson County
100 N. King Street
Henderson, North Carolina 28792
(828) 698-4484

LEASE

THIS LEASE is dated as of June 1, 2006, and entered into by and between HENDERSON COUNTY, NORTH CAROLINA, a public body politic and a political subdivision of the State of North Carolina, as lessor (the "County"), and THE HENDERSON COUNTY BOARD OF PUBLIC EDUCATION, a school administrative unit duly organized and existing under the laws of the State of North Carolina, as lessee (the "Board of Education").

W I T N E S S E T H:

WHEREAS, the County and the Board of Education have previously determined to cooperate in a plan for the construction, renovation and financing of certain public school facilities, which each has found to be necessary and desirable to provide for improved public education in the County;

WHEREAS, included among such school facilities are the Sugarloaf Road Elementary School (the "Sugarloaf Road School") and the Mills River Elementary School (the "Mills River School" and together with the Sugarloaf Road School, the "School Facilities", as more particularly described in Exhibit A), which will lie on the properties shown on Exhibit B (the "Sites"; collectively, with the School Facilities, the "Leased Property");

WHEREAS, as part of such plan of financing, the County has entered into an Installment Financing Contract dated as of June 1, 2006 (the "Financing Contract"), between the County and Henderson County Governmental Financing Corporation (the "Corporation"), providing, in part, for the financing of the construction, renovation, installation and equipping of the School Facilities. A copy of the executed Financing Contract is attached as Exhibit C and incorporated herein by this reference; and

WHEREAS, in furtherance of this plan of financing and to provide for improved public school facilities for County residents, the County proposes to lease the Leased Property, as hereinafter defined, to the Board of Education and the Board of Education has determined to accept such lease.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereby agree as follows:

Article I

DEFINITIONS; RULE OF CONSTRUCTION

All capitalized terms used in this Lease and not otherwise defined shall have the meanings assigned to them in the Financing Contract, unless the context clearly requires otherwise. In addition, the following terms will have the meanings specified below, unless the context clearly requires otherwise:

"Board of Education Representative" means the Board of Education's Superintendent or chief financial officer or any other person or persons at the time designated, by a written certificate furnished to the County and signed on the Board of Education's behalf by its

Chairman, to act on the Board of Education's behalf for the purpose of performing any act under this Lease.

"Closing Date" means the date on which the Certificates of Participation are delivered.

"Event of Default" means one or more events of default as defined in Section 12.1 hereof.

"Lease" means this Lease and any duly authorized amendments thereto.

"Lease Term" means the term of this Lease as determined pursuant to Article IV hereof.

"Lease Year" means, initially, from the Closing Date through June 30, 2006, and thereafter, means the twelve-month period of each year commencing on July 1, and ending on the next June 30.

"State" means the State of North Carolina.

All references to articles or sections are references to articles or sections of this Lease, unless the context clearly indicates otherwise.

Article II

REPRESENTATIONS, COVENANTS AND WARRANTIES

The County and the Board of Education each represent, covenant and warrant for the other's benefit as follows:

(1) Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with its terms and conditions, nor the consummation of the transactions contemplated hereby, results in a breach of the terms, conditions and provisions of any agreement or instrument to which either is now a party or by which either is bound, or constitutes a default under any of the foregoing.

(2) To the knowledge of each party, there is no litigation or proceeding pending or threatened against such party (or against any other person) affecting the rights of such party to execute or deliver this Lease or to comply with its obligations under this Lease. Neither the execution and delivery of this Lease by such party, nor compliance by such party with its obligations under this Lease, requires the approval of any regulatory body or any other entity the approval of which has not been obtained.

Article III

DEMISING CLAUSE

The County hereby leases the Leased Property to the Board of Education and the Board of Education hereby leases the Leased Property from the County, in accordance with the provisions of this Lease, to have and to hold for the Lease Term.

Notwithstanding anything in this Lease to the contrary, the Board of Education's rights to possession of the Leased Property, its rights to purchase the Mills River School portion of the Leased Property pursuant to Section 5.2 hereof, and all its other rights under this Lease are subordinate to the rights of the Corporation (and its assigns) as beneficiary under the Deed of Trust. Any judicial sale of, or foreclosure on, the Leased Property pursuant to the Deed of Trust shall terminate all of the Board of Education's rights hereunder.

Article IV

LEASE TERM

4.1 Commencement. The Lease Term shall commence on the Closing Date, June 29, 2006.

4.2 Termination. The Lease Term shall terminate upon the earliest of the following events:

- (a) The date that is five years after termination of the Financing Contract provided, however, such date shall not be after December 31, 2031;
- (b) An Event of Default and termination by the County pursuant to Article XII hereof; or
- (c) Judicial sale of or foreclosure on the Leased Property under the Financing Contract, as described in Article III of this Lease.

Termination of the Lease Term shall terminate all the County's obligations under this Lease, and shall terminate the Board of Education's rights of possession under this Lease, but all other provisions of this Lease, including the receipt and disbursement of funds, shall be continuing until the Financing Contract is discharged as provided therein.

Article V

QUIET ENJOYMENT; PURCHASE OPTION

5.1 Quiet Enjoyment. The County hereby covenants that the Board of Education shall, during the Lease Term, and subject to Section 5.2 of this Lease, peaceably and quietly have and hold and enjoy the Leased Property without suit, trouble or hindrance from the County, except as expressly required or permitted by this Lease. The County shall not interfere with the Board of Education's quiet use and enjoyment of the Leased Property during the Lease Term. The County shall, at the Board of Education's request and the County's cost, join and cooperate fully in any legal action in which the Board of Education asserts its right to such possession and enjoyment, or which involves the imposition of any taxes or other governmental charges on or in connection with the Leased Property. In addition, the Board of Education may at its own expense join in any legal action affecting its possession and enjoyment of the Leased Property, and shall be joined (to the extent legally possible, and at the Board of Education's expense) in any action affecting its liabilities hereunder.

The provisions of this Article shall be subject to rights to inspect the Leased Property granted to parties under the Financing Contract or the Indenture.

5.2 Purchase Option. The Board of Education shall have the option to purchase the Mills River School in whole, but not in part at any time during the five-year period beginning upon the earlier of (i) the date the Financing Contract terminates for any reason other than under Section 4.2(c) of this Lease, or (ii) the date the Mills River School is released pursuant to Section 14 of the Deed of Trust upon payment to the County of a purchase option price of \$100. The Board of Education shall notify the County of its exercising of this option within the option period, and within 45 days thereafter the County shall execute and deliver all necessary documents conveying to the Board of Education good and marketable title to the Mills River School, subject only to (a) Permitted Encumbrances (as defined by Schedule II of the Deed of Trust and hereby incorporated by reference) other than the Deed of Trust and (b) any encumbrance or imperfection caused by or attributable to the Board of Education. Notwithstanding the foregoing, the Board of Education shall not have the option to purchase the Mills River School in accordance with the terms of this Section 5.2 if the termination of the Financing Contract is pursuant to the County's refinancing of the Mills River School.

Article VI

CONSIDERATION FOR LEASE

6.1 Use of Leased Property for School Purposes; Assumption of Obligations. In partial consideration for its acquisition of rights to use the Leased Property during the Lease Term and its option to purchase the Leased Property, the Board of Education hereby agrees to use the Leased Property for public school purposes in fulfillment of its obligation, shared by the County, to provide for elementary and secondary education in the County. In addition, in consideration of its rights under this Lease, the Board of Education undertakes the obligations imposed on it hereunder, including those imposed by Section 8.1 hereof.

6.2 Payments. In partial consideration for its acquisition of rights to use the Leased Property during the Lease Term and its option to purchase the Leased Property, the Board of Education hereby agrees to pay to the County total annual rent in the amount of \$100 payable in advance on the Closing Date (receipt of which is hereby acknowledged) and on the first day of each Lease Year thereafter. The County and the Board of Education acknowledge their understanding that although the County's financing of the Leased Property, and providing it to the Board of Education for use, is of substantial value to the Board of Education, any payment by the Board of Education of a market value rent would represent simply an accounting transaction, because the Board of Education's funding is primarily provided through the County.

Article VII

CONSTRUCTION OF SCHOOL FACILITIES

The County has provided for completion of the acquisition, construction, renovation and equipping of the School Facilities by the Board of Education as the County's agent. The Board of Education represents that it has been solely responsible for all provisions governing the

construction and equipping of the School Facilities in the Financing Contract and hereby approves the provisions that are specifically assumed by the Board of Education below. The Board of Education shall take possession of each of the School Facilities upon completion thereof.

Article VIII

BOARD OF EDUCATION'S ASSUMPTION OF COUNTY'S OBLIGATIONS

8.1 Assumption of Obligations. The Board of Education hereby assumes, to the extent such obligations apply to the School Facilities, the County's obligations under Financing Contract Sections 6.1 (regarding care and use), 6.3 (utilities), 6.4 (payment of taxes and other governmental charges), 6.5 (title insurance), 6.6 (general liability and property damage insurance), 6.7 (workers' compensation insurance), 7.2 (prevention of liens), and Article VIII (regarding notice of damage, repair or replacement from Net Proceeds, and disposition of Equipment); provided, however, that the County hereby undertakes to make the Net Proceeds contemplated by Section 8.2 of the Financing Contract available to the Board of Education for use in carrying out this obligation, and further provided that the County retains its rights under Section 8.3 of the Financing Contract to direct the use of Net Proceeds to prepayment of the County's obligations under the Financing Contract.

8.2 Transfer of Rights. In order to allow the Board of Education to carry out its obligations under Section 8.1 hereof, the County hereby transfers its rights under Financing Contract Section 6.11 and 7.3 (regarding remodeling of the School Facilities, improving the School Facilities and installing equipment) to the Board of Education. Nothing in this Section, however, shall be construed as in any way delegating to the Board of Education any of the County's rights or responsibilities to make decisions regarding the Board of Education's capital and operating budgets.

8.3 Board of Education's General Covenant. The Board of Education further undertakes not to take or omit to take any action the taking or omission of which would cause the County to be in default, technical or otherwise, under the Financing Contract. In particular, the Board of Education covenants not to make any use of the Leased Property that would cause the County's obligations to make Installment Payments under the Financing Contract to be "private activity bonds" within the meaning of the Code. If the Board of Education shall take or omit to take any such action, then the Board of Education shall proceed with all due diligence to take such actions as may be necessary to cure such default.

8.4 County's Cooperation. The County shall cooperate fully with the Board of Education in filing any proof of loss or taking any other action under this Lease. In no event shall the County or the Board of Education voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim with respect to the Leased Property without the other's written consent.

8.5 Advances; Performance of Obligations. If the Board of Education shall fail to pay any amount required to be paid by it under this Lease, or fails to take any other action required of it under this Lease, the County may (but shall be under no obligation to) pay such amounts or

perform such other obligations. The Board of Education agrees to reimburse the County for any such payments or for its costs incurred in connection with performing such other obligations, together with interest thereon at a rate equal to the prime interest rate of First-Citizens Bank & Trust Company, as announced from time to time.

Article IX

DISCLAIMER OF WARRANTIES; OTHER COVENANTS

9.1 Disclaimer of Warranties. THE COUNTY MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR A PARTICULAR USE OF THE LEASED PROPERTY OR ANY PART THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE LEASED PROPERTY OR ANY PART THEREOF. In no event shall the County be liable for any direct or indirect, incidental, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or use by any of them of any item, product or service provided for herein.

9.2 Further Assurances; Corrective Instruments. The Board of Education and the County agree that they will, from time to time execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be, or for otherwise carrying out the intention hereof.

9.3 Board of Education and County Representatives. Whenever under the provisions hereof the approval of the Board of Education or the County is required to take some action at the request of the other, unless otherwise provided, such approval or such request shall be given for the Board of Education by the Board of Education Representative and for the County by the County Representative, and the Board of Education and the County shall be authorized to act on any such approval or request.

9.4 Compliance with Requirements. During the Lease Term, as the Board of Education and the County shall observe and comply promptly with all current and future orders of all courts having jurisdiction over the Leased Property or any portion thereof (or be diligently and in good faith contesting such orders), and all current and future requirements of all insurance companies written policies covering the Leased Property or any portion thereof.

9.5 Contents Insurance. The Board of Education acknowledges that it is solely responsible for insuring the personal property owned by the Board of Education that may at any time or from time to time be located at the Leased Property.

Article X

**TITLE TO LEASED PROPERTY
LIMITATIONS ON ENCUMBRANCES**

10.1 Title to Leased Property. Except for personal property purchased by the Board of Education at its own expense, title to the Leased Property and any and all additions and modifications to or replacements of any portion of the Leased Property shall be held in the County's name, subject only to Permitted Encumbrances, until foreclosed upon or conveyed as provided in the Financing Contract, notwithstanding (a) the occurrence of one or more events of default as defined in Financing Contract Section 13.1; (b) the occurrence of any event of damage, destruction, condemnation or construction or title defect; or (c) the violation by the County of any provision of this Lease.

The Board of Education shall have no right, title or interest in the Leased Property or any additions and modifications to or replacements of any portion of the Leased Property, except as expressly set forth in this Lease.

**Article XI
ASSIGNMENT, SUBLEASING, AND INDEMNIFICATION**

11.1 Board of Education's Assignment and Subleasing. The Board of Education may not assign or sublease the Leased Property, in whole or in part, or any of its rights or obligations under this Lease, without the consent of the County.

11.2 Indemnification. To the extent permitted by law, the Board of Education shall and hereby agrees to indemnify and save the County harmless against and from all claims, by or on behalf of any person, firm, corporation or other legal entity arising from the operation or management of the Leased Property during the Lease Term, including any arising from: (a) any condition of the Leased Property; (b) any negligent act or omission of the Board of Education or of any of its agents, contractors or employees, or any violation of law by the Board of Education or breach of any covenant or warranty by the Board of Education hereunder; or (c) the incurrence of any cost or expense in connection with the acquisition and construction of the School Facilities in excess of the moneys available therefor in the Construction Fund. The Board of Education shall, upon notice from the County, defend or pay the cost of defending the County in any action or proceeding brought in connection with any claims arising out of circumstances described in (a), (b), or (c) above.

Article XII

EVENTS OF DEFAULT

12.1 Events of Default. The following shall be "Events of Default" under this Lease and the term "Default" shall mean, whenever it is used in this Lease, any one or more of the following events:

- (a) The Board of Education's failure to make any payments hereunder when due.

(b) The Board of Education's failure to observe and perform any covenant, condition or agreement on its part to be observed or performed (other than as described in (a) above) for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied shall have been given to the Board of Education by the County, unless the County shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the County shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Board of Education within the applicable period and diligently pursued until such failure is corrected; and further provided, that if by reason of Force Majeure the Board of Education is unable in whole or in part to carry out any of its agreements contained herein (other than its obligations contained in Sections 6.2 or 8.1 hereof, to the extent applicable), the Board of Education shall not be deemed in default during the continuance of such event or occurrence.

(c) The dissolution or liquidation of the Board of Education or the voluntary initiation by the Board of Education of any proceeding under any, Federal or State law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Board of Education of any such proceeding which shall remain undismissed for sixty days, or the entry by the Board of Education into an agreement or composition with creditors or the Board of Education's failure generally to pay its debts as they become due.

12.2 Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the County may take one or any combination of the following remedial steps:

(a) Terminate this Lease, evict the Board of Education from the Leased Property or any portion thereof and re-lease the Leased Property or any portion thereof;

(b) Have reasonable access to and inspect, examine and make copies of the Board of Education's books and records and accounts during the Board of Education's regular business hours, if reasonably necessary in the County's opinion; or

(c) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Board of Education under this Lease.

Any amount collected pursuant to action taken under this Section shall be applied in accordance with the Financing Contract.

12.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the County is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, and any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County to exercise any

remedy reserved in this Article XII, it shall not be necessary to give any notice, other than such notice as may be required in this Article XII.

12.4 Waivers. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. The County, however, shall have no right to waive any Event of Default without the Trustee's consent. A waiver of an event of default under the Financing Contract shall constitute a waiver of any corresponding Event of Default under this Lease; provided that no such waiver shall extend to or affect any subsequent or other Event of Default under this Lease or impair any right consequent thereon.

12.5 Agreement To Pay Attorneys' Fees and Expenses. If either party hereto shall default under any of the provisions hereof and the nondefaulting party shall employ attorneys or incur other expenses for the collection of any payments due hereunder, or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it shall pay on demand therefor to the nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party, to the extent that such attorneys' fees and expenses may be determined to be reasonable by a court of competent jurisdiction.

12.6 Waiver of Appraisal, Valuation, Stay, Extension, and Redemption Laws. The Board of Education and the County agree, to the extent permitted by law, that in the case of a termination of the Lease Term by reason of an Event of Default, neither the Board of Education nor the County nor any one claiming through or under either of them shall or will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in order to prevent or hinder the enforcement of the Financing Contract or of any remedy provided hereunder or thereunder; and the Board of Education and the County, for themselves and all who may at any time claim through or under either of them, each hereby waives, to the full extent that it may lawfully do so, the benefit of such laws.

Article XIII

MISCELLANEOUS

13.1 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, addressed as follows:

- (a) If intended for the County, addressed to it at the following address:

County of Henderson
100 North King Street
Hendersonville, NC 28792
Attention: County Manager

With copy to:

Henderson County Attorney
100 North King Street
Hendersonville, NC 28792
Attention: Legal Department

(b) If intended for the Board of Education, addressed to it at the following address:

Henderson County Board of Public Education
414 Fourth Avenue West
Hendersonville, NC 28739
Attention: Superintendent

With copy to:

School Board Attorney
Roberts & Stevens
P.O. Box 7647
Asheville, NC 28802

13.2 Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Board of Education and the County and their respective successors and assigns, subject, however, to the limitations contained in Article XI hereof.

13.3 Amendments, Changes and Modifications. This Lease may not be amended, changed, modified or altered without the Trustee's written prior consent; provided, however, such consent shall not be reasonably withheld.

13.4 Net Lease. This Lease shall be deemed and construed to be a "net lease," and the Board of Education shall pay absolutely net during the Lease Term all other payments required hereunder, free of any deductions, and without abatement or setoff.

13.5 Payments Due on Non-Business Days. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Lease, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding day that is a Business Day with the same force and effect as if done on the nominal date provided in this Lease.

13.6 Severability. In the event that any provision of this Lease, other than the requirement of the County to provide quiet enjoyment of the Leased Property, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

13.7 Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

13.8 Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State.

13.9 Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease.

13.10 Memorandum of Lease. At the request of either party, the County and the Board of Education shall, on or before the Closing Date, file this Lease or a Memorandum of Lease legally sufficient to comply with the relevant provisions of the North Carolina General Statutes with the Henderson County Register of Deeds.

13.11 Third-Party Beneficiaries. The Corporation and the Trustee and their respective successors and assigns as beneficiaries under the Financing Contract are intended by the County and the Board of Education to be third-party beneficiaries of this Lease.

13.12 Other Covenants of the Board of Education. The Board of Education covenants and represents to the County that all permits, consents, approvals or authorizations of all governmental entities and regulatory bodies, and all filings and notices required to enter into this Lease have been obtained. The Board of Education further covenants and warrants that all further permits, consents and approvals or authorizations of all governmental entities or regulatory bodies, and all filings and notices required and necessary to operate the School Facilities, have been or will be obtained prior to the use of the School Facilities for school purposes, and will be obtained and maintained through the duration of this Lease.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed in their corporate names by their duly authorized officers, all as of the date first above written.

HENDERSON COUNTY, NORTH CAROLINA

[Seal]

By: _____
William L. Moyer
Chairman, Board of Commissioners

ATTEST:

By: _____
Elizabeth W. Corn
Clerk, Board of Commissioners

THE HENDERSON COUNTY BOARD OF
PUBLIC EDUCATION

[Seal]

By: _____
Ervin W. Bazzle
Chairman

ATTEST:

By: _____
Stephen L. Page
Superintendent and Ex-Officio Secretary

This instrument has been pre-audited in the manner required by the School Budget and Fiscal Control Act.

THE HENDERSON COUNTY BOARD OF
PUBLIC EDUCATION

By: _____
Finance Officer

ACKNOWLEDGMENT FOR COUNTY

STATE OF NORTH CAROLINA)
)
COUNTY OF HENDERSON)

I certify that the following persons personally appeared before me this day, and I have personal knowledge of the identity of the principals; each acknowledging to me that he or she voluntarily signed the foregoing document for the purpose stated therein and in the capacity indicated: William L. Moyer and Elizabeth W. Corn.

Date: June __, 2006

(Official Signature of Notary)

_____, Notary Public

My Commission expires: _____

EXHIBIT A

SCHOOL FACILITIES DESCRIPTION

The school facilities consist of the following:

Sugarloaf Road Elementary School Project. An approximately 93,110 square foot elementary school for approximately 600 students to be located at 2270 Sugarloaf Road in Hendersonville, North Carolina.

Mills River Elementary School Project. An approximately 84,812 square foot elementary school (which includes the improvements financed with proceeds of the Certificates) for approximately 600 students located at 96 School House Road in Horse Shoe, North Carolina.

EXHIBIT B

Description of Sugarloaf Road Elementary School Property

[To Be Provided]

Description of Mills River Elementary School Property

[To Be Provided]

EXHIBIT C

Installment Financing Contract

COUNTY OF HENDERSON, NORTH CAROLINA

and

HENDERSON COUNTY BOARD OF PUBLIC EDUCATION,

AGENCY AGREEMENT

Dated as of June 1, 2006

AGENCY AGREEMENT

THIS AGENCY AGREEMENT is dated as of June 1, 2006 (this "Agency Agreement"), and is by and between HENDERSON COUNTY, NORTH CAROLINA, a public body politic and a political subdivision of the State of North Carolina (the "County"), as principal, and the HENDERSON COUNTY BOARD OF PUBLIC EDUCATION, a county school administrative unit duly organized and existing under the laws of the State of North Carolina (the "Board of Education"), as agent.

WITNESSETH:

The County and Henderson County Governmental Financing Corporation (the "Corporation") have entered into an Installment Financing Contract of even date herewith (the "Financing Contract"), providing, in part, for the financing of the County's design, acquisition, construction and equipping of the Sugarloaf Road Elementary School and related facilities and renovation of, and construction of capital improvements at, the existing Mills River Elementary School and related facilities (the "School Facilities"), which the County will lease to the Board of Education for its use.

In order to provide the moneys to be advanced by the Corporation pursuant to the Financing Contract, the Corporation has entered into an Indenture of Trust, of even date herewith (the "Indenture"), with First-Citizens Bank & Trust Company, Raleigh, North Carolina as trustee thereunder (the "Trustee"), which authorizes the execution and delivery of Certificates of Participation (the "Certificates") evidencing assignments of proportionate undivided interests in rights to receive Revenues (as defined in the Financing Contract);

The County desires to designate the Board of Education as its agent to carry out the design, acquisition, construction, renovation and/or equipping of the School Facilities, and the Board of Education is willing to accept such an appointment pursuant to the terms of this Agency Agreement.

NOW, THEREFORE, in the joint and mutual exercise of their power, and in consideration of the above premises and of the mutual covenants herein contained and for other valuable consideration, the parties hereto agree as follows:

1. DEFINITIONS.

Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Financing Contract. In addition, "Board of Education Representative" means the Board of Education's Superintendent or chief financial officer or any other person or persons at the time designated, by a written certificate furnished to the County and signed on the Board of Education's behalf by its Chairman, to act on the Board of Education's behalf for the purpose of performing any act under this Agency Agreement.

2. APPOINTMENT; ACCEPTANCE.

The County hereby appoints the Board of Education as its agent to carry out all phases of the design, construction, renovation and equipping of the School Facilities. The Board of Education, as the County's agent, hereby assumes all the County's rights, duties and responsibilities regarding the design, construction, renovation and/or equipping of the School Facilities, except as limited herein. The Board of Education shall appoint no further agent to assume such rights or carry out such duties and responsibilities without the prior consent of the County, the Corporation and the Trustee.

3. CONTRACTS.

Subject to the Board of Education's compliance with all provisions herein and all requirements of Article V of the Financing Contract, the Board of Education, with the County's approval, may enter into any purchase order or contract with respect to the design, acquisition, construction, renovation and/or equipping of the School Facilities in the Board of Education's name.

Alternatively, the Board of Education and the County may, separately or in cooperation, prepare any such purchase orders or contracts to be entered into by the County in its own name, also as provided in Section 5.1 of the Financing Contract. The Board of Education shall ensure that the contractors prosecuting the work provide bonds, insurance coverage and contract assignments that comply with the requirements of Article V of the Financing Contract. Included in this obligation is the obligation that the County and the Board of Education be named as co-obligees, loss payees or additional insureds by the contractors on all payment and performance bonds. All contracts shall comply with the public procurement laws and any other State laws applicable to either the Board of Education or the County, as appropriate, with regard to the construction of public school facilities or the acquisition of similar supplies, equipment or services.

4. RIGHTS AND RESPONSIBILITIES FOR CONSTRUCTION.

The Board of Education, as the County's agent, shall be responsible for carrying out the design, acquisition, construction, renovation and equipping of the School Facilities in accordance with the requirements of Article V of the Financing Contract and all applicable laws, rules and regulations, and the Board of Education shall have the rights to supervise such design, acquisition, construction, renovation and/or equipping, including rights reserved to the County in such Article V.

The Board of Education covenants and warrants to the County that all permits, consents, approvals or authorizations of all governmental entities and regulatory bodies, and all filings and notices required to complete the School Facilities have or will be obtained in due course. The Board of Education shall allow access to the School Facilities by the County and/or the Trustee for the purpose of inspecting the School Facilities; however, no right of inspection by the County or the Trustee shall impose upon the County or the Trustee any duty or obligation whatsoever to undertake any inspection or to make any approval. No inspection made or approval given by the County or the Trustee shall be deemed to impose upon the County or the Trustee any duty or obligation whatsoever to identify or correct any defects in the School Facilities, or to notify any person with respect thereto, and no liability shall be imposed upon the County or the Trustee, and no warranties (either express or implied) are made by the County or the Trustee to the Board of Education as to the quality or fitness of any improvement, any such inspection and approval being made solely for the County and the Trustee's benefit.

The Board of Education has the right to make any changes in the Plans and Specifications and Construction Contracts of the School Facilities with the consent of the County. The Board of Education shall be required to prepare the completion certificate provided for in Section 5.3 of the Financing Contract, shall be required to pursue remedies against contractors or their sureties as provided in Section 5.4 of the Financing Contract, and shall be required to monitor the maintenance of contractors' insurance coverage described in Sections 5.5, 5.6 and 5.7 of the Financing Contract.

5. BOARD OF EDUCATION'S RIGHT TO ENFORCE CONTRACTS.

For so long as the Board of Education is not in default of any the provisions of this Agency Agreement, and the Lease, the Board of Education shall have the right to enforce in its own name or the County's name such purchase orders or contracts at law or in equity entered in the County's name or the Board of Education's name for the School Facilities; provided, however, that in the event the Board of Education shall be in default of any provisions of this Agency Agreement or the Lease for a period of thirty (30) days after being notified by the County of such default without cure, then in such event the County shall have the right to terminate this Agency Agreement and assume any and all responsibilities of the Board of Education with respect to the School Facilities. In such event of default without cure, the Board of Education shall assign to the County any and all right, title and interest to any and all contracts relating to the School Facilities, including but not limited to any architect agreement(s), any and all engineering agreements, any and all construction agreements, and any and all plans, specifications and other drawings or documents prepared or to be prepared in connection with the School Facilities. To the extent permitted by law, the Board of Education agrees to reimburse to the County any and all costs, expenses and damages incurred by the County in the assumption of the rights and responsibilities of the Board of Education due to such event of default without cure, and to indemnify and hold the County harmless for any and all claims for damages by others related to such event of default without cure. Any assignment by the County of any of its rights under the Financing Agreement shall not prevent the County from asserting such rights and powers in its own behalf.

6. COUNTY'S ASSIGNMENT OF CONTRACTS.

The County hereby assigns to the Board of Education all of its rights and powers under all such purchase orders and contracts it enters into with respect to the School Facilities, and the Board of Education shall have the right to enforce in its own name or the County's name such purchase orders or contracts at law or in equity; provided, however, that any assignment by the County of any of its rights under the Financing Contract shall not prevent the County from asserting such rights and powers in its own behalf.

7. RIGHTS RESERVED TO COUNTY.

Notwithstanding any provision of this Agency Agreement:

(a) The County shall retain the sole power to requisition payments from the Construction Fund as provided in Section 3.01 of the Indenture. Section 4.3 of the Financing Contract provides that amounts will be disbursed to the County for costs related to the School Facilities only upon the Trustee's receipt of a requisition, signed by a County Representative, in the form prescribed by the Indenture which makes certain representations, designates the payee and provides evidence that

payment is due (such as an architect's payment certification). The Board of Education shall prepare such requisitions in the first instance, shall obtain all necessary consents and approvals for payment, including, but not limited to, approval of the School Facilities' architect(s) and consent of the surety, and forward the same to the County for review, approval and forwarding to the Trustee for payment, all in accordance with Article V of the Financing Contract. The County shall have the right to obtain such additional evidence as it deems appropriate to determine the accuracy of the representations set forth in the form of requisition and the propriety of payment. The Board of Education shall provide the County with such information in the Board of Education's possession as the County may request.

(b) The County shall retain the sole power to elect to prepay Installment Payments under the Financing Contract upon a casualty loss to the School Facilities, as provided in Section 8.3 of the Financing Contract.

The reservation of rights in this Section is intended as illustrative only, and is not to be construed in any way as delegating or limiting the County's rights hereunder or under the Financing Contract, except as expressly provided herein.

8. CONSIDERATION.

The County and the Board of Education are undertaking their mutual obligations hereunder in partial consideration for, and in partial fulfillment of, their agreement to carry out the plan of designing, acquiring, constructing, renovating, equipping and financing of the School Facilities.

9. PROPERTY AFFECTED.

The School Facilities are to be constructed on the property described in and subject to the Lease between the County and the Board of Education of even date herewith, which is recorded at Book ____, Page ____, Henderson County Registry of Deeds.

IN WITNESS WHEREOF, the parties hereto have caused this Agency Agreement to be executed in their corporate names by their duly authorized officers, all as of the date first above written.

HENDERSON COUNTY, NORTH CAROLINA

By: _____
William L. Moyer
Chairman, Board of Commissioners

[Seal]

ATTEST:

By: _____
Elizabeth W. Corn
Clerk, Board of Commissioners

THE HENDERSON COUNTY BOARD OF PUBLIC EDUCATION

[Seal]

By: _____
Ervin W. Bazzle
Chairman

ATTEST:

By: _____
Stephen L. Page
Superintendent and Ex-Officio Secretary

This instrument has been pre-audited in the manner required by the School Budget and Fiscal Control Act.

THE HENDERSON COUNTY BOARD OF PUBLIC EDUCATION

By: _____
Finance Officer