



EAST MOORE WATER DISTRICT BOARD OF DIRECTORS

SPECIAL MEETING

TUESDAY, SEPTEMBER 15, 2020, 5:15 PM

COMMISSIONERS MEETING ROOM, HISTORIC COURTHOUSE, CARTHAGE

CALL TO ORDER

ITEMS OF BUSINESS:

- I. Request for Approval of September 1, 2020 EMWD Special Meeting Minutes
- II. Request for Approval of EMWD Phase 4 Interim Financing Agreement

ADJOURNMENT

EAST MOORE WATER DISTRICT BOARD OF DIRECTORS**SPECIAL MEETING****TUESDAY, SEPTEMBER 1, 2020, 10:15 AM**

The East Moore Water District Board of Directors convened for a Special Meeting at 4:00pm, Tuesday, August 18, 2020 in the Commissioners' Meeting Room on the second floor of the Historic Courthouse, Carthage, North Carolina.

Directors Present: Chairman Frank Quis, Vice Chairman Louis Gregory, Catherine Graham, Jerry Daeke, Otis Ritter

Chairman Quis called the meeting to order.

ITEMS OF BUSINESS:August 18, 2020 Special Meeting Minutes

Upon motion made by Director Ritter, seconded by Director Daeke, the Board voted 5-0 to approve the August 18, 2020, special meeting minutes of the East Moore Water District Board of Directors.

EMWD Phase 4 Construction Contract Award

Public Works Director Randy Gould presented requests related to the award of the construction contract for East Moore Water District Phase 4. Upon motion made by Director Graham, seconded by Director Daeke, the Board voted 5-0 to award a construction contract to Metcon, Inc. in an amount not to exceed \$1,211,063 for the EMWD Phase 4 project and authorize the Chairman to sign the Notice of Award contingent upon final approval and authorization of the County Attorney, the USDA and the Local Government Commission. Upon motion made by Director Ritter, seconded by Director Graham, the Board voted 5-0 to authorize the Chairman to subsequently sign the construction contract upon completion by the Contractor and approval by the County Attorney and the USDA. Upon motion made by Director Daeke, seconded by Director Ritter, the Board voted 5-0 to authorize the County Manager or his designee to sign construction change orders up to \$50,000 each contingent upon approval by the County Attorney and USDA.

ADJOURNMENT

There being no further business, upon motion made by Director Graham, seconded by Director Ritter, the Board voted 5-0 to adjourn the September 1, 2020, special meeting of the East Moore Water District Board of Directors at 10:21am.

Francis R. Quis, Jr. Chairman

Laura M. Williams, Clerk to the Board

MEMORANDUM TO EMWD BOARD OF DIRECTORS:

FROM: Randy Gould, Public Works Director
DATE: September 2, 2020
SUBJECT: EMWD Phase 4 Interim Financing Agreements
PRESENTER: Randy Gould, PE

REQUEST:

Adopt Bond Order and Resolution to proceed with interim financing for the EMWD Phase 4 project.

BACKGROUND:

Bids were received on July 14, 2020 for the construction of the EMWD Phase 4 project. The low bid was in the amount of \$1,211,063. The project budget for construction is \$2,046,000. Additional lines are being planned to utilize the remainder of the monies.

The LGC approved the USDA Revenue Bond Application on September 1. Truist (BB&T) submitted a proposal to purchase the EMWD bond anticipation notes for the project. The closing is scheduled for September 22.

EMWD Board of Directors approval is needed for approvals of the following items: (a) project fund agreement, and (b) wire transfer agreement.

IMPLEMENTATION PLAN:

Adopt the resolutions

FINANCIAL IMPACT STATEMENT:

Project included in the budget.

RECOMMENDATION SUMMARY:

Make a motion to adopt the attached Bond Order and Interim Financing Resolution in the forms presented.

SUPPORTING ATTACHMENTS:

Resolution approving interim financing
Project Fund Agreement
Wire Transfer Agreement
Long Form Bond Order

Resolution Approving Interim Construction Financing for East Moore Water District Phase 4 Waterline Extension Project

WHEREAS --

The East Moore Water District Board of Directors (the “Board”) has previously approved a “Phase 4” project (the “Project”) to build approximately 9.4 miles of water distribution lines to extend the District’s service area. The District has previously authorized the issuance of up to \$1,395,000 water revenue bonds (the “Bonds”) to pay a portion of the Project costs

Truist Bank (the “Lender”) has submitted a proposal to provide construction-period financing for the Project in the form of water revenue bond anticipation notes. The notes are to be issued in anticipation of the later sale of the Bonds.

THEREFORE, BE IT RESOLVED by the East Moore Water District Board of Directors, as follows:

1. *Determination To Proceed with Financing through the Lender* – The District will carry out the Project with interim construction financing in the form of a new issue of water revenue bond anticipation notes in the aggregate principal amount of \$1,395,000. The District will issue the notes in anticipation of the later issuance of the Bonds.

The District accepts the Lender’s proposal, dated September 1, 2020, for the purchase of the Notes. The District asks the North Carolina Local Government Commission (the “LGC”) to sell the notes to the Lender at a private sale, substantially in accordance with the Lender’s proposal and this resolution.

2. Form and Details of Notes -- The bond anticipation notes will take the form of a single water revenue bond anticipation note (the “Note”) to be designated “Water Revenue Bond Anticipation Note, Series 2020.” The Note will be dated the date of its delivery to the Lender, will mature on November 3, 2021, and will bear interest at the annual rate of 1.35% (subject to adjustment as provided below), payable at maturity. The Note will be fully registered as to the payment of principal and interest, and will be registered initially in the name of the Lender or its designee. All payments will be made in lawful money of the United States, and interest will be calculated on the basis of a 360-day year of twelve 30-day months.

The District may prepay principal of the Note in whole, but not in part, at any time upon payment to the Lender of the principal amount to be prepaid plus interest accrued to the prepayment date, without penalty or premium.

The Note will be substantially in the form set out in Exhibit A, with such changes as the officers signing the Note may approve. The delivery of the Note to the Lender will be conclusive evidence of the District’s approval of the final form of the Note.

The Note must be signed by the manual or facsimile signature of the Board’s Chairman or the Moore County Manager and countersigned by the manual or facsimile signature of the Clerk to this Board. No Note will be valid unless at least one signature appearing on the Note is manually applied; the manual signature may be the signature of an LGC official that is required by law to appear on the Note.

3. Issuance under Bond Order – The Note is issued as a bond anticipation note within the meaning of Section 2.04 of the Bond Order for District water revenue bonds previously adopted on September 1, 2020 (the “Bond Order”).

4. Interest Rate and Payment Adjustment -- (a) Upon any Rate Adjustment Event, as defined below, (i) the unpaid principal of the Note shall continue to be payable as provided in Section 2 above, but (ii) the interest on the Note shall be recalculated, at an interest rate equal to an annualized interest rate equal to the Lender’s published prime rate (as in effect from time to time) plus 2% (200 basis points), to the date (retroactively, if need be) determined pursuant to the Rate

Adjustment Event to be the date interest became includable in any noteholder's gross income for federal income tax purposes (and in the case of a 265 Event, as defined below, retroactively to the date of the original delivery of the Note).

(b) The District shall pay interest at such adjusted rate (subject to credit for interest previously paid) to each affected noteholder, notwithstanding the fact that any particular noteholder may not be a noteholder on the date of a Rate Adjustment Event. The District shall additionally pay to all affected noteholders any interest, penalties or other charges assessed against or payable by such noteholder and attributable to a Rate Adjustment Event notwithstanding the prior repayment of the Note in full or any transfer to another noteholder.

(c) "Rate Adjustment Event" means (i) any action by the Internal Revenue Service (including the delivery of a deficiency notice) or any other federal court or administrative body determining or (ii) receipt by the Lender of an opinion of nationally-recognized bond counsel, in either case to the effect (A) that the interest on the Note, or any portion thereof, is includable in any noteholder's gross income for federal income tax purposes or (B) that the Note is not a "qualified tax-exempt obligation" as contemplated by Section 15 (a "265 Event"), in any case as a result of any misrepresentation by the District or as a result of any action the District takes or fails to take.

5. Note Will Be a Special Obligation -- The Note will be a special obligation of the District, payable solely from the Net Revenues and other funds pledged therefor as provided in this resolution and in the Bond Order. The principal of and interest on the Note are payable solely from those revenues and other funds. Neither the District's faith and credit nor its taxing power is or will be pledged for the payment of the principal of or interest on the Note, and no owner of the Note will have the right to compel the exercise of the District's taxing power in connection with any default on the Note.

6. Pledge of Net Revenues, Note Proceeds and Bond Proceeds - (a) All "Net Revenues," as defined in the Bond Order, are hereby pledged to the payment of the principal of and interest on the Note, subject only to the right to make

application of the Net Revenues to other purposes as provided in the Bond Order and by law. The District will apply the Net Revenues to the payment of principal of and interest on the Note as the same become due, to the extent other funds (such as Bond proceeds) are not otherwise available and appropriated for that purpose.

(b) All proceeds of the Note, including the investment earnings on the original proceeds (together, the "Proceeds"), are hereby pledged to the payment of the Note, subject to the District's right to apply the Proceeds to "Project Costs" as provided in this resolution.

(c) In addition, the proceeds of the Bonds are also hereby pledged for the payment of the Note, and the Note shall be retired from the Bond proceeds as the first priority.

7. Use of Proceeds for Project Costs -- The District will use the Proceeds only to pay Project Costs until all Project Costs are paid. The District will apply Proceeds to Project Costs only after it has received approval for the payment of costs from the United States of America – Department of Agriculture – Rural Utilities Service (or any successor agency), as the prospective purchaser of the Bonds. The District will make available to the registered owner of the Note all records related to the use and investment of Proceeds and the payment of Project Costs as such owner may reasonably request from time to time.

"Project Costs" means all costs of design, planning, construction, acquisition, installation, equipping and generally carrying out of the water system improvements financed with Proceeds, as determined in accordance with generally accepted accounting principles and as will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Note, including (a) sums required to reimburse the District or its agents for advances made for any such costs, (b) interest of the Note and Bonds for the duration of the Project and for up to six months thereafter, and (c) all costs related to the financing of the Project through the issuance of the Note and the Bonds and all related transactions.

8. *Actions toward Issuance of Bonds* – The District covenants, for the benefit of the beneficial owners of the Note, that it will act with all due diligence in the undertaking of the Project and otherwise so as to provide for the issuance of the Bonds in a timely manner.

9. *Finance Officer as Registrar; Payments to Registered Owners* -- The Board appoints the County's Finance Officer as Registrar for the Note. As Registrar, the Finance Officer shall maintain appropriate books and records of the ownership of the Note. The District will treat the registered owner of the Note as the person exclusively entitled to payment of principal and interest and the exercise of all rights and powers of the owner.

The Registrar will not, however, register the transfer of the Note to any person or entity other than a bank, an insurance company or a similar financial institution unless the LGC has previously approved the transfer.

10. *Direction to Execute Documents* -- The Board directs the Chairman, the County Manager, the County Finance Officer and all other District officers to act on the District's behalf and to execute and deliver all appropriate documents (the "Documents") for the proposed financing. These Documents may include (a) a Project Fund Agreement and (b) a Wire Transfer Agreement in substantially the forms made available at this meeting, with such changes as the County Manager may approve.

The execution and delivery of any Document by an authorized officer will be conclusive evidence of that officer's approval of the final form of that Document. The Documents in final form, however, must be consistent with the financing plan described in this resolution.

11. *Authorization to County Manager To Complete Closing* – The Board directs the County Manager to take all appropriate action to provide for the issuance of the Note to the Lender in accordance with this resolution. The County Manager will hold executed copies of all financing documents authorized or permitted by this resolution in escrow on the District's behalf until the conditions for their delivery have been completed to the Manager's satisfaction, and thereupon will release the

executed copies of such documents for delivery to the appropriate persons or organizations.

Without limiting the generality of the foregoing, the Board specifically authorizes the County Manager to approve changes to any documents, agreements or certifications previously signed by County or District representatives, provided that the changes are not inconsistent with this resolution and do not substantially alter the intent of the instrument from that expressed in the form originally signed. This authorization specifically permits the County Manager to make further agreements or covenants on behalf of the District regarding the custody and investment of Proceeds. The County Manager's authorization of the release of any instrument for delivery will constitute conclusive evidence of his approval of any changes.

In addition, the Board authorizes the County Manager to take all appropriate steps for the efficient and convenient carrying out of the District's on-going responsibilities with respect to the Note. This authorization includes, without limitation, contracting with third parties for reports and calculations that may be required under the Note, this resolution or otherwise with respect to the Note.

12. *Authorization for Note Extensions* – If at the time of the maturity of the Note the County Manager determines that the District is not in a position to issue the permanent financing Bonds and use those proceeds to pay the principal of the Note, then the Board authorizes the County Manager to negotiate an extension to the maturity of the Note with the Lender. The Board authorizes the County Manager to execute and deliver any agreements or instruments, and to take any further action, he finds to be appropriate and in the District's best interest to carry out any such modification to the Note to extend the maturity, without any further action of this Board. For any modification under this authority, however, (a) there must be no increase in the outstanding principal amount of the Note, (b) there must be no increase in the interest rate payable on the Note, (c) there must be no change in the lender to which the Note is payable, and (d) the Note as modified must mature not more than three years from the original dated date of the Note. This authorization is not limited to one modification and extension, but includes as many modifications and extensions as the County Manager finds to be in the District's best interests.

13. *Financial Information to Noteholder* – In partial consideration of the

Lender's purchase of the Note, the District promises the Lender that the District will send to the Noteholder (a) a copy of the District's audited financial statements for each of the District's fiscal years promptly upon the Board's acceptance of the financial statements, but in any event within 270 days after the end of each fiscal year, and (b) all other financial information (including, without limitation, the District's annual budget as submitted or approved) as any Noteholder may reasonably request from time to time.

14. *Covenants as to Tax Matters* -- The District will not take or omit to take any action the taking or omission of which will cause the Note to be an "arbitrage bond," within the meaning of Section 148 of the "Code" (as defined below), or a "private activity bond" within the meaning of Code Section 141, or otherwise cause interest on the Note to be includable in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the District will comply with any Code provision that may require the District at any time to pay to the United States any part of the earnings derived from the investment of the Note proceeds. In this resolution, "Code" means the United States Internal Revenue Code of 1986, as amended, and includes applicable Treasury regulations.

15. *Note is a "Bank-Qualified" Obligation* -- The Board designates the Note as a "qualified tax-exempt obligation" for the purpose of Code Section 265(b)(3), which provides certain tax advantages for financial institutions investing in obligations similar to the Note.

16. *Miscellaneous Provisions* - The Board authorizes all County and District officers and employees to take all such further action as they may consider necessary or desirable in furtherance of the issuance of the Note and all other purposes of this resolution. The Board ratifies all prior actions of District representatives to this end. Upon the absence, unavailability or refusal to act of the County Manager, the Finance Officer, the Chairman or the Clerk to this Board, any other of such officers may assume any responsibility or carry out any function assigned in this resolution. In addition, the Vice Chairman or any Deputy or Assistant Clerk may assume any responsibility or carry out any function assigned to the Chairman or the Clerk, respectively, in this resolution. All other Board proceedings, or parts thereof, in conflict with this resolution are repealed, to the

extent of the conflict. This resolution takes effect immediately.

Exhibit A – Sample Form of Note

REGISTERED NOTE NUMBER R-1

September __, 2020

\$1,395,000

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

EAST MOORE WATER DISTRICT

Water Revenue Bond Anticipation Note, Series 2020

EAST MOORE WATER DISTRICT (the "District"), for value received, acknowledges itself indebted and promises to pay, solely from the Net Revenues and other funds described below and pledged to the payment of this Note, to

TRUIST BANK

its successors and its registered assigns (the "Noteholder"), the principal sum of

**ONE MILLION THREE HUNDRED NINETY-FIVE THOUSAND
DOLLARS (\$1,395,000)**

on November 3, 2021, and to pay, solely from such source, to the registered owner of this Note interest on the unpaid principal from the date of this Note until payment of the entire principal sum at the annual rate of 1.35% (calculated on the basis of a 360-day year consisting of twelve 30-day months), subject to adjustment and prepayment as provided below. Principal and interest are payable in lawful money of the United States of America.

Promptly upon full payment of this Note, the Noteholder will either (a) return this Note to the Town marked "Paid in Full," or (2) provide written notice and acknowledgment to the Town of the full payment of this Note.

The District may prepay principal of this Note in whole, but not in part, at any time upon payment to the Noteholder of the principal amount to be prepaid plus interest accrued to the prepayment date, without penalty or premium.

Upon any "Rate Adjustment Event," as defined below, (1) the unpaid principal of the Note shall continue to be payable on November 3, 2021, but (2) the interest on the Note shall be recalculated, at an interest rate equal to an annualized interest rate equal to Truist Bank's published prime rate (as in effect from time to time) plus 2% (200 basis points), to the date (retroactively, if need be) determined pursuant to the Rate Adjustment Event to be the date interest became includable in any noteholder's gross income for federal income tax purposes (in the case of a "265 Event," as defined below, retroactively to the date of the original delivery of the Note).

The District shall pay interest at such adjusted rate (subject to credit for interest previously paid) to each affected noteholder, notwithstanding the fact that any particular noteholder may not be a noteholder on the date of a Rate Adjustment Event. The District shall additionally pay to all affected noteholders any interest, penalties or other charges assessed against or payable by such noteholder and attributable to a Rate Adjustment Event, notwithstanding the prior repayment of the Note in full or any transfer to another noteholder.

"Rate Adjustment Event" means (1) any action by the Internal Revenue Service (including the delivery of a deficiency notice) or any other federal court or administrative body determining or (2) receipt by the Lender of an opinion of nationally-recognized bond counsel, in either case to the effect (a) that the interest on this Note, or any portion thereof, is includable in any noteholder's gross income for federal income tax purposes or (b) that the Note is not a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (a "265 Event"), in any case as a result of any misrepresentation by the District or as a result of any action the District takes or fails to take.

This Note has been authorized and is issued pursuant to a bond order adopted by the Moore County Board of Commissioners, as the District's governing board, on September 15, 2020 (the "Bond Order"), along with a resolution also adopted by the Board on September 15, 2020 (the "Note Resolution"), and the Constitution and laws of the State of North Carolina, including The State and Local Government Revenue Bond Act. The Note has been authorized and is issued to provide funds, together with other available funds, to pay capital costs of certain water system improvements in anticipation of the issuance of certain District water revenue bonds (the "Bonds") previously authorized for this purpose.

This Note is a special obligation of the District, payable solely from the net operating revenues of the District's water system (the "Net Revenues," as specifically defined in the Bond Order) and other revenues and funds pledged therefor as provided in the Bond Order and the Note Resolution. Neither the faith and credit nor the taxing power of the District is pledged for the payment of the principal of or interest on this Note, and no owner of this Note has any right to compel the exercise of the District's taxing power in connection with any default hereon.

In addition, the proceeds of the Bonds are also pledged for the payment of this Note, and this Note shall be retired from the Bond proceeds as the first priority.

Reference is made to the Bond Order, the Note Resolution and all amendments and supplements thereto for a description of the provisions, among others, with respect to the nature and extent of the security, the District's rights, duties and obligations, the Noteholder's rights and the terms upon which this Note is issued, to all of which provisions each Noteholder, by the acceptance of this Note, agrees. The terms and conditions of the Bond Order and the Note Resolution form a part of the contract between the District and the Noteholder.

The District may issue additional obligations secured by a lien on Net Revenues, including liens ranking on a parity with the lien on Net Revenues securing this Note, under the terms and conditions set forth in the Bond Order and the Note Resolution.

This Note is fully registered as to both principal and interest. Transfer of this Note may be registered upon books maintained for that purpose by the Registrar. The Registrar will treat the registered owner of this Note as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner. The Registrar will not register the transfer of this Note to any person other than a bank, an insurance company or a similar financial institution unless the North Carolina Local Government Commission has previously approved such transfer.

The District has designated this Note as a “qualified tax-exempt obligation” for the purpose of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The District intends that North Carolina law will govern this Note and all matters of its interpretation.

All acts, conditions and things required by the Constitution and laws of the State of North Carolina to happen, exist or be performed precedent to and in the issuance of this Note have happened, exist and have been performed.

IN WITNESS WHEREOF, the governing board of East Moore Water District has caused this Note to be signed by the Chairman of its governing board, to be countersigned by the Clerk to the Moore County Board of Commissioners, and this Note to be dated September ____, 2020.

COUNTERSIGNED:

East Moore Water District

Laura M. Williams
Clerk, Board of Commissioners
Moore County, North Carolina

By: _____
Frank Quis
Chairman, Board of Commissioners
Moore County, North Carolina

[\$1,395,000 Water Revenue Bond Anticipation Note, Series 2020]

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within Note has been approved under the provisions of The State and Local Government Revenue Bond Act, Article 5, Chapter 159 of the North Carolina General Statutes, as amended.

Local Government Commission of North Carolina

Greg C. Gaskins
Secretary, North Carolina Local Government Commission

By _____
[Greg C. Gaskins or Designated Assistant]

TRANSFER OF NOTE

Transfer of this Note may be registered by the registered owner or its duly authorized attorney upon presentation to the Registrar, who will note the transfer in books kept by the Registrar for that purpose and in the registration blank below.

<u>Date of Re-Registration</u>	<u>Name of New Registered Owner</u>	<u>Signature of Registrar</u>
_____	_____	_____
_____	_____	_____

**[\$1,395,000 Water Revenue Bond Anticipation Note,
Series 2020, of East Moore Water District]**

S☆H draft of September 2

PROJECT FUND AGREEMENT

This PROJECT FUND AGREEMENT is dated as of September 22, 2020 (the "Project Fund Agreement"), and is by and between EAST MOORE WATER DISTRICT (the "Borrower"), and TRUIST BANK ("Truist").

RECITALS

The Borrower is today issuing to Truist the Borrower's \$1,395,000 Water Revenue Bond Anticipation Note, Series 2020 (the "Note"). The Note is issued pursuant to (a) a Bond Order adopted by the Borrower's governing board on September 15, 2020 (the "Bond Order"), and (b) a resolution providing for the issuance of the Note (the "Note Resolution") also adopted by the Board on September 15, 2020. The Borrower will use proceeds of the Note to finance certain capital improvements to the Borrower's water system (the "Project").

In partial consideration for Truist's purchasing the Note, the Borrower has agreed to provide for Note proceeds to be deposited and disbursed pursuant to this Project Fund Agreement.

NOW, THEREFORE, the parties agree as follows:

SECTION 1. DEFINITIONS.

In this Project Fund Agreement, the term "Project Costs" means all costs of design, planning, construction, acquisition, installation, equipping and generally carrying out of the water system improvements financed with Proceeds, as determined in accordance with generally accepted accounting principles and as will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Note, including (a) sums required to reimburse the Town or its agents for advances made for any such costs, (b) interest of the Note and Bonds during the term of the Project and for up to six months thereafter, and (c) all costs related to the financing of the Project through the issuance of the Note and the Bonds and all related transactions.

In addition, any capitalized terms used in this Project Fund Agreement and not otherwise defined shall have the meanings assigned thereto in the Bond Order and the Note Resolution.

SECTION 2. PROJECT FUND.

2.1. Project Fund. On the date hereof (“the Closing Date”), Truist shall deposit \$1,389,100 (consisting of the par amount of the Note less a fee of \$5,900 to be paid directly by Truist to its legal counsel) into a special account of the Borrower at Branch Banking and Trust Company to be designated “2020-0001 East Moore Water District Project Fund” (the “Project Fund”). The Project Fund shall be held separate and apart from all other funds or accounts of the Borrower. The Project Fund is the Borrower’s property, but the Borrower may withdraw amounts on deposit in the Project Fund only as provided in this Project Fund Agreement and only for application from time to time to the payment of Project Costs or otherwise as permitted by Section 2.3 hereof. Pending such application, such amounts shall be subject to a lien and charge in favor of Truist to secure the Borrower’s obligations under the Note.

2.2. Requisitions from Project Fund. The Borrower may withdraw funds from the Project Fund only after authorization from Truist. Truist shall authorize the disbursement of funds from the Project Fund only to the Borrower and only upon its receipt of one or more written requisitions in the form set forth in Exhibit A attached hereto signed by one of the designated Borrower Representatives named in Section 3.11 hereof. The Borrower shall submit its signed requisitions in .pdf format by electronic transmission to the email address contained in the requisition form.

Upon receipt of a requisition from the Borrower, Truist shall undertake such review of the matters referred to in such requisition as it shall deem appropriate, and within seven (7) business days after such receipt shall notify the Borrower if it does not approve the requisition with the reasons for its disapproval. Truist has no obligation to make a review and any review by Truist is only for Truist’s benefit. Truist shall not unreasonably withhold payment of any requisition.

2.3. Disposition of Project Fund Balance.

(a) ***Upon completion*** - Promptly after the Project has been completed to the point that the Project is suitable for carrying out substantially all the purposes it is to serve for the Borrower, and the Borrower has withdrawn from the Project Fund all of the funds needed to complete the Project, the Borrower shall deliver to Truist a written certificate of completion executed by a Borrower Representative stating that (i) the Project has been completed, (ii) there are no mechanic's or other liens against the Project for labor or materials furnished in connection with the Project, and (iii) no further funds will be requisitioned from the Project Fund to pay Project Costs. Truist may then withdraw any balance remaining in the Project Fund (and not required to be retained to pay Project Costs incurred but not yet paid) and apply such amount as provided in subsection (d) of this Section.

(b) ***Upon default*** - Upon the occurrence of an event of default under the Note Resolution or Bond Order, Truist may withdraw any balance remaining in the Project Fund and apply such amount as provided in subsection (d) of this Section.

(c) ***After delay or inactivity*** - If (i) more than three years have elapsed from the Closing Date or (ii) at least six months have elapsed from Truist's most recent receipt of a requisition for Project Costs, then Truist, upon 30 days' notice from Truist to the Borrower, may withdraw any balance remaining in the Project Fund and apply such amount as provided in subsection (d) of this Section.

(d) ***Application of Project Fund balance*** - Truist may apply any amounts withdrawn from the Project Fund pursuant to this Section in the following order: (i) to the payment of any interest accrued to the Project Fund disposition date that is then due and payable, (ii) to the payment of any principal amount then due and payable, (iii) to the prepayment of principal and accrued interest in accordance with the prepayment provisions of the Note; and (iv) to the payment of future payments of principal in inverse order of maturity; provided, however, that (1) at the option of Truist, Truist may deliver funds held under this Project Fund Agreement to the Borrower to be applied to additional Project Costs or future debt service payments, and (2) in no event will Truist apply any funds in the manner set forth herein if it is advised in an opinion of bond counsel provided by the Borrower that such a use of funds could adversely affect the exclusion from gross income for federal income tax

purposes of the interest due on the Note. Any prepayment hereunder shall not affect any other Borrower payment obligation under the Note. Truist shall notify the Borrower of any withdrawal from the Project Fund made under this Section, and in the notice shall describe its application of the funds so withdrawn.

2.4. Investment.

(a) The Borrower and Truist agree that money in the Project Fund will be continuously invested and reinvested in a public funds money rate savings account, as directed by Truist, that meets the requirements of Section 159-30 of the General Statutes of North Carolina, as amended.

(b) Investment obligations acquired with money in the Project Fund shall be deemed at all times to be part of the Project Fund. The interest accruing thereon and any profit or loss realized upon the disposition or maturity of any such investment shall be credited to or charged against the Project Fund.

(c) All earnings on moneys in the Project Fund shall be used for Project Costs or otherwise applied in accordance with Section 2.3 hereof.

SECTION 3. MISCELLANEOUS.

3.1. Notices. Except as set forth in Section 2.2 hereof with respect to the delivery of requisitions to Truist, any notice or other communication required or contemplated by this Project Fund Agreement shall be deemed to be delivered so long as it is delivered by hand or on the date shown on a certified mail receipt, or a delivery receipt (or similar evidence) from a national commercial package delivery service, if addressed as follows:

(a) If intended for the Borrower, addressed to it at the following address: East Moore Water District Attn: Moore County Finance, Re: Notice under 2020 Borrowing with Truist, 206 S. Ray Street, Carthage NC 28327

(b) If intended for Truist, addressed to it at the following address: Truist Governmental Finance, 5130 Parkway Plaza Boulevard, Charlotte, North Carolina 28217

Any party may designate a different or alternate address for notices by notice given under this Project Fund Agreement.

3.2. Survival of Covenants and Representations. All covenants, representations and warranties made by the Borrower in this Project Fund Agreement and in any certificates delivered pursuant to this Project Fund Agreement shall survive the delivery of this Project Fund Agreement.

3.3. Choice of Law. The parties intend that North Carolina law will govern this Project Fund Agreement and all matters of its interpretation.

3.4. Amendments. This Project Fund Agreement may not be modified or amended unless such amendment is in writing and signed by Truist and the Borrower.

3.5. No Third-Party Beneficiaries. There are no parties intended to be or which shall be deemed to be third-party beneficiaries of this Project Fund Agreement.

3.6. Successors and Assigns. All of the covenants and conditions of this Project Fund Agreement shall be binding upon and inure to the benefit of the parties to this Project Fund Agreement and their respective successors and assigns.

3.7. Severability. If any court of competent jurisdiction shall hold any provision of this Project Fund Agreement invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provision of this Project Fund Agreement.

3.8. Counterparts. This Project Fund Agreement may be executed in any number of counterparts, including separate counterparts, each executed counterpart constituting an original but all together only one agreement.

3.9. Termination. Except as otherwise provided in this Project Fund Agreement, this Project Fund Agreement shall cease and terminate upon payment of all funds (including investment proceeds) from the Project Fund.

3.10. E-Verify. Truist understands that “E-Verify” is a federal program operated by the United States Department of Homeland Security and other federal

agencies, or any successor or equivalent program used to verify the work authorization of newly hired employees pursuant to federal law in accordance with Section 64-25(5) of the General Statutes of North Carolina, as amended. Truist uses E-Verify to verify the work authorization of its employees in accordance with Section 64-26(a) of the General Statutes of North Carolina, as amended. Truist will require that any subcontractor that it uses in connection with the transactions contemplated by this Project Fund Agreement certify to such subcontractor's compliance with E-Verify.

3.11. Designation of Borrower Representatives. In accordance with the terms herein, the Borrower hereby designates the following persons as Borrower Representatives authorized to sign requisitions to withdraw funds from the Project Fund account:

Printed Name:

Signature:

Wayne Vest,

Moore County Manager

Caroline Xiong,

Moore County Finance Officer

The Borrower may designate additional Borrower Representatives to sign requisitions upon written notification to Truist.

3.12. Designation of Official Custodian. The Borrower designates the person listed below an "Official Custodian" for the purposes of the Federal Deposit Insurance Corporation. The person listed below is an officer, employee or agent of the Borrower who has plenary authority, including control, over funds owned by the Borrower. Control of public funds includes possession of, as well as the authority to establish, accounts in an insured depository institution and to make deposits, withdrawals and disbursements. The Official Custodian on the account is considered the insured depositor.

Printed Name:	Signature:	Date of	Last 4 Numbers
---------------	------------	---------	----------------

		Birth:	of SSN:
_____	_____		

Upon written notification to Truist, the Borrower may update the Official Custodian. The last 4 digits of the official custodian's social security number will be used only to differentiate the official custodian from other Truist account holders with the same name.

Note: The Official Custodian must provide a copy of their driver's license.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, each of the parties has caused this Project Fund Agreement to be signed and delivered by a duly authorized officer, all as of the date first above written.

COUNTERSIGNED:

East Moore Water District

Laura M. Williams
Clerk, Board of Commissioners
Moore County, North Carolina

By: _____
Wayne Vest[
County Manager
Moore County, North Carolina

TRUIST BANK

By: _____
Andrew G. Smith
Senior Vice President

[PROJECT FUND AGREEMENT, DATED AS OF SEPTEMBER 22, 2020]

EXHIBIT A

[TO BE PREPARED ON BORROWER'S LETTERHEAD FOR SUBMISSION]

PROJECT FUND REQUISITION

[Date] _____

Email requisitions to: GFProjectfunds@truist.com

Requisition Team

Branch Banking and Trust Company

Direct Dial: (252) 296-0452 or (252) 296-0653

RE: Request for disbursement of funds from the Project Fund related to Issuance and Sale of a \$1,395,000 Water Revenue Bond Anticipation Note, Series 2020 (the "Note"), issued by the Borrower named below

Truist Contract Number _____-000__

To Whom It May Concern,

Pursuant to the terms and conditions of the Project Fund Agreement, dated as of September 22, 2020, East Moore Water District (the "Borrower") requests the disbursement of funds from the Project Fund established under the Project Fund Agreement for the following Project Costs:

This is requisition number ___ from the Project Fund.

Disbursements will be made only to East Moore Water District.

Amount: \$_____

Attach copies of applicable vendor invoices or spreadsheet of expenditures to requisition when submitting. **[Please attached a copy of the USDA approval letter with this requisition.]**

Project Description:

Location of Equipment/Project:

To receive funds via wire transfer please include:

ABA Routing Number:

Account Number:

Physical address of Borrower: East Moore Water District Attn: Moore County Finance, Re: Notice under 2020 Borrowing with Truist, 206 S. Ray Street, Carthage NC 28327

The Borrower makes this requisition pursuant to the following representations:

1. The purpose of this disbursement is for partial payment of the cost of the Project as described in the Note Resolution.
2. The requested disbursement has not been subject to any previous requisition.
3. No notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable herein to any of the persons, firms or corporations named herein has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of this requisition.
4. This requisition contains no items representing payment on account of any percentage entitled to be retained on the date of this requisition.
5. No event of default is continuing under the Bond Order or the Note Resolution, and no event or condition is existing which, with notice or lapse of time or both, would become an event of default under the Bond Order or the Note Resolution.
6. The Borrower has in place insurance on this portion of the Project that complies with the insurance provisions of the Bond Order or the Note Resolution.
7. Each amount requested for payment in this requisition either (a) represents a reimbursement to the Borrower for a Project Cost expenditure previously made, and such reimbursement complies with the provisions of the Code

(generally, an issuer may reimburse a prior expenditure out of tax-exempt bond proceeds if (i) the issuer has declared its “official intent” to reimburse the expenditure no later than 60 days after the date the expenditure is paid *and* (ii) the expenditure is being reimbursed no later than the end of the permitted “reimbursement period” of at least 18 months, and at most 3 years, from the date the expenditure was paid), or (b) will be used by the Borrower promptly upon the receipt of funds from Truist to make payments for Project Costs to third parties described in this requisition.

Capitalized terms used in this requisition have the meanings ascribed in the Project Fund Agreement.

Attached is evidence that the amounts shown in this requisition are properly payable at this time, such as bills, receipts, invoices, architects’ payment certifications or other appropriate documents.

IF REQUEST IS FINAL REQUEST, CHECK HERE .

EAST MOORE WATER DISTRICT

By: _____

Printed Name: _____

Title: _____

Wire Transfer Agreement

This Wire Transfer Agreement is dated as of September 22, 2020 (this “Agreement”) and is by and between EAST MOORE WATER BORROWER (the “Borrower”), and TRUIST BANK (“Truist”).

RECITALS

The Borrower is, simultaneously with the execution and delivery of this Agreement, (a) issuing to Truist the Borrower’s Water Revenue Bond Anticipation Note, Series 2020 (the “Note”), and (b) executing and delivering a Project Fund Agreement, dated as of the date hereof (the “Project Fund Agreement”), between the Borrower and Truist. The purpose of the Note is for the Borrower to finance through Truist the amount of \$1,395,000 to enable the Borrower to finance water system improvements and to pay related financing costs. In partial consideration for Truist’s purchasing the Note, the Borrower has agreed to provide for financing proceeds to be deposited and disbursed pursuant to the Project Fund Agreement.

In order to prevent unauthorized or fraudulent wire transfers through cyber fraud and other means, Truist and the Borrower hereby agree to the following:

Section 1. Wire Transfer Requirements. If Truist makes a wire transfer to disburse funds as contemplated by the Note or the Project Fund Agreement (a “Disbursement”), said wire transfer shall be delivered as directed in a written “Disbursement Authorization” provided to Truist by a representative of the Borrower, subject to the terms and conditions set forth herein. For the purposes of this Agreement, a representative of the Borrower includes only the Moore County Manager, Moore County’s statutory finance officer, any other person authorized by Section 3.11 of the Project Fund Agreement, or any other person whose name, title and signature are designated in writing to Truist by the Moore County Manager or the presiding officer of the Borrower’s governing board. Any person previously designated as a representative for this purpose may revoke the authorization of any other designated person at any time.

Section 2. Verification Procedures. Prior to making any Disbursement pursuant to a Disbursement Authorization not delivered to Truist in person by a representative of the Borrower, Truist shall verify such Disbursement Authorization verbally via telephone communication with a representative of the Borrower. The Borrower shall ensure that a representative of the Borrower will provide such verification to Truist. The Borrower shall not disclose, or allow to be disclosed, such Truist verification procedures to any third party unless there is a legitimate business need to make such disclosure or such disclosure is required by law, and the Borrower accepts the risk of such third-party knowledge of the security procedures. If the Borrower has reason to believe that a security procedure has been obtained by or disclosed to an unauthorized person or learns of any unauthorized transfer or of any discrepancy in a transfer request, then the Borrower shall notify Truist immediately.

Section 3. Payee Identification. The Borrower is solely responsible for accurately identifying the wire transfer information contained in the Disbursement Authorization delivered to Truist by a representative of the Borrower, including but not limited to the bank name and its ABA number, beneficiary's account name and account number and beneficiary's physical address, together with other information requested by Truist (collectively, "Remittance Instructions"). If the Remittance Instructions describe a beneficiary inconsistently by name and account number, the Borrower acknowledges that Truist may make payment on the basis of the account number alone, that Truist is not obligated to detect such errors, and that the Borrower assumes the risk of any loss resulting therefrom.

Section 4. Duty to Reconcile Written Confirmation. Upon request from a representative of the Borrower, Truist shall use its best efforts to send a representative of the Borrower written confirmation of the Disbursement in the form of a reference number, beneficiary name and wire amount. A representative of the Borrower shall promptly review and reconcile the written confirmation of the Disbursement sent by Truist, and shall report to Truist in writing, promptly, but in no event later than ten (10) business days after the date of such written confirmation, any unauthorized, erroneous, unreceived or improperly executed payment. Truist and the Borrower agree that ten (10) business days is a reasonable time for the detection and reporting to Truist of such information. After that time, all items on the written confirmation will be considered correct and the Borrower will

be precluded from recovering from Truist if such wire transfer identified in the written confirmation was actually made by Truist. For the avoidance of doubt, any such writings can be provided electronically.

Section 5. Unauthorized Payments. Notwithstanding any other provision herein, if a Disbursement has been verified by a representative of the Borrower pursuant to Section 2, it shall be binding on the Borrower if Truist acted in good faith in making such Disbursement.

Section 6. Recordation. Truist may record any telephone conversation between Truist and a representative of the Borrower in order to reduce the risk of unauthorized or erroneous transfers. Truist may retain such recordings for as long as Truist may deem necessary.

Section 7. Indemnification and Hold Harmless. If Truist complies with the provisions of this Agreement, the Borrower agrees that Truist shall not be responsible for any communication or miscommunication by a representative of the Borrower, and the Borrower further agrees to indemnify, to the extent allowed by law, Truist and hold Truist harmless from and against any and all losses, claims, expenses, suits, costs or damages, demands or liabilities of whatever kind or nature, whether now existing or hereafter relating in any way to a wire transfer made pursuant to the Note or the Project Fund Agreement.

Section 8. Applicable Law. All wire transfer orders are governed by Article 4A of the Uniform Commercial Code, except as any provisions thereof that may be and are modified by the terms hereof. If any part of the applicable wire transfer order involves the use of the Fedwire, the rights and obligations of Truist and the Borrower regarding that wire transfer order are governed by Regulation J of the Federal Reserve Board.

Section 9. Choice of Law. The parties intend that North Carolina law will govern this Agreement and all matters of its interpretation.

Section 10. Amendments. This Agreement may not be modified or amended unless such amendment is in writing and signed by Truist and the Borrower.

Section 11. Third-Party Beneficiary. Moore County, North Carolina, is a third-party beneficiary of this Agreement

Section 12. Successors and Assigns. All of the covenants and conditions of this Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns.

Section 13. Severability. If any court of competent jurisdiction shall hold any provision of this Agreement invalid or unenforceable, such holding shall not invalidate or render unenforceable any other provision of this Agreement.

Section 14. Counterparts. This Agreement may be executed in any number of counterparts, including separate counterparts, each executed counterpart constituting an original but all together only one agreement.

Section 15. Termination. This Agreement shall cease and terminate upon termination of the Note and the Project Fund Agreement.

[The remainder of this page has been left blank intentionally.]

IN WITNESS WHEREOF, each of the parties has caused this Wire Transfer Agreement to be signed and delivered by a duly authorized officer, all as of the date first above written.

COUNTERSIGNED:

East Moore Water District

Laura M. Williams
Clerk, Board of Commissioners
Moore County, North Carolina

By: _____
Wayne Vest[
County Manager
Moore County, North Carolina

TRUIST BANK

By: _____
Andrew G. Smith
Senior Vice President

[WIRE TRANSFER AGREEMENT, DATED AS OF SEPTEMBER 22, 2020]

A Bond Order authorizing water revenue bonds of East Moore Water District, including an initial revenue bond issue in the maximum amount of \$1,395,000 to help finance the Phase 4 waterline extension project

WHEREAS -

East Moore Water District has previously determined to undertake certain improvements to the District's public water system, especially including a "Phase 4" project (the "Project") to build approximately 9.4 miles of water distribution lines to extend the District's service area.

The District has determined to issue revenue bonds to finance a portion of the Project's costs. Revenue bonds are not secured by a pledge of the District's taxing power or by a lien on any District property. Instead, the bonds are payable only from the net operating revenues of the District's water system.

The United States of America, acting by and through Rural Utilities Service, an agency of the United States Department of Agriculture, has offered to assist the District in financing the Project through a combination of grant and loan funds, and the District has determined to accept the offer.

The Moore County Board of Commissioners, as the District's governing board, now desires to adopt this bond order to formally authorize the issuance of District water revenue bonds from time to time, and to authorize the issuance of revenue bonds to evidence the loan portion of the proposed financing package.

NOW, THEREFORE, BE IT ORDERED by the East Moore Water District Board of Directors, as follows:

There are hereby ordered to be issued, from time to time, East Moore Water District water revenue bonds under the Act to pay capital costs of providing water system improvements, together with related financing and other necessary or incidental costs.

In particular, there is hereby ordered to be issued, under the Act, an initial water revenue bond in a principal amount not to exceed \$1,395,000 to provide funds to be used, together with other available funds, to pay costs of providing water system improvements, and in particular to pay Project Costs.

The terms and conditions of the issuance of and security for the initial bond, and all other District water revenue bonds to be issued under this Bond Order, are as follows:

ARTICLE I

Authorization, Award and Sale of the Initial Bond; Form and Details of Bonds

1.01. Authorization of Initial Bond. The District will issue, under the Act and this Bond Order, a water revenue bond in a principal amount not to exceed \$1,395,000 (the “Initial Bond”) to provide funds to pay Project Costs.

1.02. Award and Sale of Initial Bond. The District determines that it is in the District's best interests to accept the Government's proposal for its purchase of the Initial Bond. The District asks the LGC to sell the Initial Bond to the Government at a private sale pursuant to the terms of this Bond Order and the proposal previously provided to the District by the Government.

1.03. Form and Details of Initial Bond. The District will issue the Initial Bond as a single fully-registered bond in a denomination not to exceed \$1,395,000, dated the Closing Date, numbered R-1, and bearing interest from the Closing Date at an annual rate not to exceed 3.125%.

The Initial Bond will be designated “Water Revenue Bond” and will be in substantially the form of Exhibit A, with minor changes (including any appropriate changes to the series designation) not inconsistent with this Bond Order as may be approved by the Government and the officers signing the Initial Bond. This approval will be evidenced conclusively by the Government's acceptance of the delivery of the Initial Bond and the Government's payment to (or on behalf of) the District of the proceeds of the Initial Bond.

1.04. Payments on the Initial Bond. (a) Installments of principal and interest will be payable on each June 1, beginning on the first June 1 following the Closing Date and continuing on each June 1 thereafter, until the principal of the Initial Bond is paid in full. The payment of every installment will be applied first to interest accrued to the payment date and then to principal. Interest will be calculated based on a year of 365 days and the actual number of days elapsed. Principal and interest are payable in lawful money of the United States, but only from the Net Revenues and other funds pledged to payment as provided in this Bond Order.

(b) The principal installments will be payable in years and amounts as the Finance Officer may determine, after consultation with the LGC, and as may be approved by the Government. In any event, the final payment on the Initial Bond must be payable not more than 40 years from the Closing Date.

(c) The Finance Officer will execute a certificate prior to the initial delivery of the Initial Bond designating the final total principal amount of, the annual interest rate on, and the final principal payment schedule for, the Initial Bond. This certificate will be conclusive evidence of the Finance Officer's approval and determination of those matters.

(d) For any portion of the Bonds for which the Government is the registered owner, the District will make principal and interest payments in such fashion, including automatic debiting, as the Government may determine. For any portion of the Bonds for which the Government is not the registered owner, the District will make principal and interest payments by check or draft mailed on the payment date to the registered owners at the addresses that appear on the registration books kept by the Registrar, except that the final installment will be payable upon presentation and surrender of Bonds to the Registrar at the Registrar's Office.

1.05. Prepayment of Initial Bond. (a) The District may prepay principal installments of the Initial Bond in whole or in part at any time at the District's option, without penalty or prepayment premium.

(b) Any prepayment will be applied first to any accrued and unpaid interest and then to installments of principal in inverse order of maturity. No prepayment affects the District's obligation to pay when due the remaining scheduled installments of principal of and interest on the Initial Bond. On any

date designated for prepayment, notice having been given and moneys for the payment of the prepayment price being held in trust for such purpose, the Initial Bond or the applicable portions becomes due and payable, and the interest on the Initial Bond or portions prepaid ceases to accrue.

(c) For any portions of Bonds for which the Government is not the registered owner, the District must give 30 days' prior written notice of any prepayment to the registered owners, by registered or certified mail, to the addresses shown on the Registrar's registration book. No advance notice is required for any portions of Bonds for which the Government is the registered owner.

1.06. Payment of Proceeds of Initial Bond; Use of Proceeds. The Board directs the Finance Officer to determine, in consultation with the LGC, the procedures for the disbursement of the proceeds of the Initial Bond. The District may use proceeds of the Initial Bond, including both the original proceeds from the sale of the Initial Bond and earnings from the investment of these proceeds, only to pay Project Costs or for the retirement of related Bond Anticipation Notes.

ARTICLE II

Additional Bonds and Other Obligations

2.01. Restriction on Incurring Obligations. The District will not, without the Government's prior written consent (so long as the Government is the owner of any portion of the Bonds), (a) issue any bonds, (b) otherwise borrow money from any source, (c) enter into any contract or agreement that is treated for accounting purposes as substantially equivalent to the borrowing of money, or (d) incur any other liabilities, in all cases in connection with the acquisition or construction of any System Assets, , or for any other purpose in connection with, the System, other than with respect to normal operations and maintenance. The District may incur approved obligations in any form allowed by law.

2.02. Issuance of Additional Bonds; Purposes. The District may issue Additional Bonds secured by a lien on Net Revenues (a) to finance

capital costs of System Improvements, including capital costs of planning or investigating the feasibility of possible System Improvements, or to complete the Project, (b) to refund any Bonds or other District indebtedness, (c) to prevent an interruption or delay in payments of principal and interest on Bonds, (d) to establish or maintain reserves or to pay financing costs, or (e) for any combination of these purposes.

2.03. Terms of Additional Bonds. Additional Bonds will be in substantially the form of the Initial Bond. The District will provide by a supplemental bond order or appropriate resolution, in either case adopted by the District Board prior to the issuance of the Additional Bonds, for the date, payment schedule, interest rates, denominations, and prepayment provisions for all Additional Bonds. Additional Bonds will contain an appropriate series designation.

2.04. Issuance of Revenue Bond Anticipation Notes. The District is authorized to issue, in anticipation of the receipt of the net proceeds of any Bonds, revenue bond anticipation notes to provide funds to pay Project Costs or capital costs of any System Improvements, including any related financing costs. The payment of the principal of and interest on any notes will be secured (a) by a pledge, charge and lien upon the proceeds of any Bonds, if and when issued, (b) by the pledge of the Net Revenues pursuant to Section 3.02, and (c) otherwise as may be provided for in the proceedings and documents providing for the issuance of the notes. All covenants, obligations and agreements of the District contained in this Bond Order are covenants, obligations and agreements of the District with the owners of any notes.

2.05. Refinancing. The District will refinance the unpaid principal balance of any Bonds of which the Government is the Holder upon the Government's request. The Government may make this request if at any time it appears to the Government that the District is able to carry out the refinancing with funds obtained from responsible private sources at reasonable rates and terms for loans for similar purposes and periods of time.

ARTICLE III

Security, Production and Use of Revenues

3.01. Bonds are Special Obligations. The Bonds are special obligations of the District, payable solely from the Net Revenues and other funds pledged to payment as provided in this Bond Order. Neither the District's faith and credit nor its taxing power is pledged for any payment on the Bonds, and no owner of any Bond has any right to compel the exercise of the District's taxing power in connection with any default on any Bond. All obligations of the District under this Bond Order are payable only from System Revenues or, when so indicated in this Bond Order, from Net Revenues.

3.02. Pledge of Revenues. The District hereby pledges the Net Revenues to the payment of the Bonds, subject only to the District's right to apply Net Revenues to other purposes as provided by law and in this Bond Order. To the extent permitted by law the lien of this pledge has priority over all other District obligations and liabilities. All System Revenues as received by the District are immediately encumbered by the restrictions of this Bond Order.

3.03. Agreement To Apply Net Revenues. The District will apply the Net Revenues to the payment of the Bonds as the payments become due.

3.04. Covenant as to Rates and Charges. The District covenants and agrees that, subject to any applicable requirements of law or regulation, it will fix and revise (from time to time and as often as it will appear necessary) Service Charges in order to produce Net Revenues in each Fiscal Year in an amount not less than the sum of (a) 100% of the Debt Service Requirement for that Fiscal Year with respect to Bonds, (b) 100% of the Debt Service Requirement for that Fiscal Year with respect to Other Debt Obligations, and (c) 100% of any deposits required for that Fiscal Year to the Debt Service Reserve Fund or the Short-Lived Asset Reserve Fund.

Within 30 days after the adoption of any changes to the schedule of Service Charges, the District will send a copy of the new schedule to the Government.

The District further covenants that if the Net Revenues in any Fiscal Year are less than the amount required by this Section, the District will request from an Appropriate Consultant recommendations regarding (i)

changes to the schedule of Service Charges and (ii) improvements in the operation of the System. The District will send copies of the request and the resulting recommendations to the LGC and the Government. Anything in this Bond Order to the contrary notwithstanding, if the District substantially complies with the recommendations, then any failure to comply with the rate covenant in this Section does not in itself constitute a default under this Bond Order.

3.05. Creation of Funds. There are hereby created and designated the following special funds:

- (a) Revenue Fund
- (b) Operating Fund
- (c) Debt Service Fund
- (d) Debt Service Reserve Fund
- (e) Short-Lived Asset Reserve Fund
- (f) Capital Reserve Fund

The District shall maintain these Funds separately on its books and records for so long as any Bonds are Outstanding. The District shall hold each Fund, and the moneys in each Fund, in trust, and shall apply those moneys as provided in this Article. Moneys in each Fund are pledged to the payment of all Bonds, subject only to the right to apply those funds to other purposes as provided by law and in this Bond Order, and subject to the exclusions specified in Sections 3.11 and 3.12.

3.06. Application of System Revenues. (a) The District shall deposit all System Revenues in the Revenue Fund as soon as practicable.

(b) If no Event of Default is continuing, the District shall hold the System Revenues in the Revenue Fund and from such amounts, from time to time and as often as may be appropriate, pay all Operating Expenses, make all payments when due on the Bonds and the Other Debt Obligations, and make deposits to the Capital Reserve Fund as the District deems appropriate.

The District shall also make in each Fiscal Year (i) a deposit to the Debt Service Reserve Fund in an amount equal to 1/10 of the Debt Service Reserve Requirement and (ii) a deposit to the Short-Lived Asset Reserve Fund in an amount equal to the Annual Short-Lived Asset Reserve Requirement. These deposits must begin in the Fiscal Year following the Fiscal Year in which the first principal payment is due on the Initial Bond, and continue until the amount on deposit in each such Fund is equal to, respectively, the Debt Service Reserve Requirement and the Total Short-Lived Asset Reserve Requirement. The District in each Fiscal Year must also make deposits to the Debt Service Reserve Fund and the Short-Lived Asset Fund necessary to restore amounts withdrawn from those Funds as specified in Sections 3.10 and 3.11. No other transfers provided for in Section 3.07, however, are required.

(c) If an Event of Default is continuing, the District shall each month apply the amounts on deposit in the Revenue Fund as provided in Section 3.07. These monthly transfers shall only be required during the continuation of any such Event of Default.

3.07. Withdrawals from the Revenue Fund. The District shall, on or before the 20th day of each month, beginning in the month following the month in which the Project is placed in service, withdraw from the Revenue Fund an amount equal to the amount of all moneys held for the credit of that Fund on the last day of the preceding month and deposit that sum to the credit of the following Funds in the following order:

(a) to the credit of the Operating Fund, the amount necessary to raise the amount on deposit to the credit of the Operating Fund to the amount as shown by the Annual Budget as necessary for the payment of Operating Expenses for the ensuing month, plus any amount needed to pay budgeted Operating Expenses not yet paid;

(b) to the credit of the Debt Service Fund, the amount required to make the total amount on deposit to the credit of the Debt Service Fund equal to the amount of the principal and interest then due or to become due and payable on the Bonds and the Other Debt Obligations within the next twelve months;

(c) to the credit of the Debt Service Reserve Fund, until the amount on deposit on deposit to the credit of the Debt Service Reserve Fund is equal to the Debt Service Reserve Requirement, an amount equal to 1/120 of the Debt Service Reserve Requirement;

(d) to the credit of the Short-Lived Asset Reserve Fund, until the amount on deposit therein is equal to the Total Short-Lived Asset Reserve Requirement, an amount equal to 1/12 of the Annual Short-Lived Asset Reserve Requirement; and

(e) to the credit of the Capital Reserve Fund the balance, if any, remaining after making the deposits stated above.

If the amount deposited in any month to the credit of any Fund is less than the required amount, the requirement will be cumulative, and the amount of any deficiency in any month will be added to the amount otherwise required to be deposited to the credit of that Fund in each following month until the deficiency is cured.

3.08. Application of Moneys in Operating Fund. The District may, withdraw moneys from the Operating Fund from time to time to pay Operating Expenses in its discretion, without the need for prior approval from any person. The District may apply moneys in the Operating Fund for any other lawful purpose, but only if approved by the Government in advance.

3.09. Application of Moneys in Debt Service Fund. (a) The District will hold all moneys in the Debt Service Fund in trust for the payment of the principal of and the interest on the Bonds and the Other Debt Obligations. No amounts may be withdrawn from or paid out of such Fund for any other purpose without the Government's prior written consent.

(b) The District shall, from time to time and as often as may be appropriate, withdraw moneys from the Debt Service Fund to make payments when due of the principal of and interest on the Bonds and the Other Debt Obligations. In the case of any deficiency in the Debt Service Fund to pay Bonds, the District shall apply the available amounts to its obligations (i) considering the relative parity status of the payment obligations and (ii) in accordance with the principles described in Section 7.10.

3.10. Application of Moneys in Debt Service Reserve Fund. (a) The District may use moneys held for the credit of the Debt Service Reserve Fund to make full and timely payment of principal and interest on the Initial Bond, and any other Bonds secured by a lien on the Debt Service Reserve Fund, whenever and to the extent that the moneys held for the credit of the Debt Service Fund are insufficient for that purpose.

(b) In addition, the District may use moneys held for the credit of the Debt Service Reserve Fund for emergency maintenance, for extensions to facilities, or for any other lawful purpose, but only with the prior written consent of the Government and the Majority Owners.

(c) The District must restore any moneys withdrawn from the Debt Service Reserve Fund from available moneys in the Revenue Fund, as promptly as practicable and in any event within one year of withdrawal unless the Government consents otherwise. The District shall value the balance in the Debt Service Reserve Fund at least annually as of each June 30, and if at any time the amount held for the credit of the Debt Service Reserve Fund exceeds the Requirement, the District shall within 30 days after the valuation date, (i) transfer the excess to the credit of the Capital Reserve Fund or the Revenue Fund, or (ii) use the excess to make prepayments on the Bonds, in any case as the District may elect.

(d) Notwithstanding any other provision of this Bond Order, amounts on deposit from time to time to the credit of the Debt Service Reserve Fund are pledged solely to the payment of the Initial Bond, unless (i) the pledge is explicitly extended to any other obligations by resolution or other action of the District Council and (ii) the Government consents (if the Government remains the Holder of any Bonds).

3.11. Application of Short-Lived Asset Reserve Fund. (a) The District may use moneys held for the credit of the Short-Lived Asset Reserve Fund for the maintenance and replacement of short-lived assets that have a useful life significantly less than the repayment period of the Initial Bond. It is the District's responsibility to assess its system's short-lived asset need on a regular basis. Withdrawal for any other use requires the Government's prior written consent.

(b) The District must restore any moneys withdrawn from the

Short-Lived Asset Reserve Fund from available moneys in the Revenue Fund, as promptly as practicable and in any event within five years of withdrawal unless the Government consents otherwise.

(c) Notwithstanding any other provision of this Bond Order, amounts on deposit from time to time to the credit of the Short-Lived Asset Reserve Fund are not pledged to the payment of any Bonds.

3.12. Application of Capital Reserve Fund. (a) If, at any time, the amount available in the Revenue Fund is or has been insufficient to make required payments for Operating Expenses, to make other payments provided under subsection 3.06(b) or to make deposits required under Section 3.07, the District shall withdraw available funds from the Capital Reserve Fund and pay into the Revenue Fund the amount required to remedy the deficiency.

(b) Otherwise, the District may at any time withdraw moneys held for the credit of the Capital Reserve Fund for any other lawful purpose, but only with the Government's consent.

(c) Notwithstanding any other provision of this Bond Order, amounts on deposit from time to time to the credit of the Capital Reserve Fund are not pledged to the payment of any Bonds.

ARTICLE IV

Particular Covenants

4.01. Payment of Bonds; Observance of Covenants. The District will pay promptly, as provided in this Bond Order, the principal of, premium, if any, and interest on each of the Bonds, together with any other payments due with respect to the Bonds, but those amounts are payable solely from the Net Revenues and other funds pledged in this Bond Order. The District covenants that it shall faithfully do and perform and always fully observe all covenants, undertakings, stipulations and provisions contained in this Bond Order or in the Bonds.

4.02. Construction of Project and System Improvements. The District covenants (a) that it will diligently proceed to complete the Project and any System Improvements in accordance with plans and specifications approved by Appropriate Consultants and in conformity with law and all requirements of all governmental authorities having jurisdiction, and (b) that it will pursue and complete construction in good faith, with due diligence, and in a commercially reasonable manner.

The District shall require each person, firm or corporation with which it may contract for labor or materials in connection with the construction of the Project or any System Improvements (i) to furnish a performance bond if required by law to insure completion and performance of the contract, and (ii) to carry workers' compensation, employers' liability insurance, and builders' risk insurance as may be required by law or recommended to the District by an Appropriate Consultant. The District further agrees that upon any default under a contract and the failure of the surety to complete the contract, the District will promptly collect and apply the proceeds of any performance bond toward the completion of the contract in connection with which the performance bond was furnished.

4.03. Operation and Maintenance. The District will at all times (a) operate the System properly and in a sound and economical manner, (b) properly maintain, preserve, and keep the System in good repair, working order, and condition, and (c) from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals, so that at all times the operation of the System may be properly and advantageously conducted.

4.04. Rules, Regulations and Other Details. The District will establish and enforce reasonable rules and regulations governing the operation, use, and services of the System. All compensations, salaries, fees and wages paid by the District in connection with the maintenance, repair and operation of the System must be reasonable. The District will observe and perform, or will cause to be observed and performed, all the terms and conditions contained in the Act. The District will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the System or the District.

The District further covenants as follows:

(a) it may require the owner, tenant or occupant of each lot or parcel of land within the District who is obligated to pay Service Charges to make a reasonable advance deposit with the District to insure the payment of Service Charges and to be subject to application to the payment of delinquent Service Charges;

(b) if any Service Charges are not paid within thirty days after the same become due and payable, then, to the extent permitted by law, the District will disconnect the premises from the System, and the District will then proceed to recover by appropriate legal action the amount of any delinquent Service Charges;

(c) it will not render, or cause to be rendered, any free services of any nature by the System, nor will it establish differential rates for users of the same class; and

(d) to the extent legally allowed, it will not consent to the furnishing of, or permit any person whatsoever to furnish, public water services within the District except in areas wherein the System is unable economically to serve the occupants and properties.

4.05. Payment of Lawful Charges. (a) The District will pay all taxes and assessments or other governmental charges lawfully levied or assessed upon or in respect of the System or upon any part of the System.

(b) The District will pay or cause to be discharged, or make adequate provision to satisfy and discharge, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the System (or any part of the System) or upon System Revenues. The District will provide for this payment or discharge within 60 days after the lien or claim accrues. Nothing in this Section, however, requires the District to pay or discharge, or make provision for, any lien or charge so long as the District is contesting the lien or charge in good faith and by appropriate proceedings.

4.06. Insurance and Reconstruction. The District covenants that it will obtain and maintain insurance, with reasonable terms, conditions, provisions and costs, that the District determines will afford appropriate protection against insurable risks in connection with the System and its

operation. All insurance policies must be carried with a company or companies properly authorized and qualified under State law.

The District will apply the proceeds of all insurance covering damage to or destruction of the System to the repair, replacement or reconstruction of the damaged or destroyed property. If the proceeds are more than sufficient for that purpose, the District will deposit any balance to the credit of the Capital Reserve Fund. If the proceeds are insufficient, the District may supply any deficiency from moneys in the Capital Reserve Fund. The District will deposit all proceeds of any insurance covering loss of System Revenues to the credit of the Revenue Fund.

4.07. Annual Budget of Operating Expenses. The District will develop an Annual Budget for each Fiscal Year in a manner consistent with State law. The District will prepare its Annual Budget so that it will be possible to determine the budgeted System Revenues and the budgeted Operating Expenses.

If for any reason the District has not adopted the Annual Budget before the first day of any Fiscal Year, the budget for the preceding Fiscal Year will be deemed to be in force until the adoption of the new Annual Budget. The District may at any time adopt an amended or supplemental Annual Budget for the remainder of the then-current Fiscal Year.

The District covenants that the Operating Expenses incurred in any Fiscal Year will not exceed the reasonable and necessary amount, and that the District will not expend any amount or incur any obligations for maintenance, repair and operation exceeding the amounts provided for Operating Expenses in the current Annual Budget. Nothing in this Section limits the amount which the District may expend for Operating Expenses in any Fiscal Year, provided that the amounts expended are properly accounted for as to both revenues and expenses in the Annual Budget.

4.08. Records, Books and Audits. (a) The District will keep the funds of the System separate from all other District funds. The District will keep accurate records and accounts of (i) all items of cost and of all expenditures relating to the System, (ii) the collection of System Revenues, and (iii) the application of System Revenues. These records and accounts will be open to the inspection of the LGC and the Holders during normal business

hours.

(b) The District further covenants that within 120 days after the end of each Fiscal Year, it will cause (i) an audit to be made of its books and accounts relating to the System by an independent certified public accountant selected by the District, and (ii) an annual report of System operations to be prepared. This annual report must cover the matters usually contained in annual reports for similar systems. Within 30 days after its receipt of the audit and annual report, the District will send copies to the LGC and to the Government.

(c) Each audit report must be prepared in accordance with generally accepted accounting principles and must set forth in respect of the preceding Fiscal Year, (i) the System Revenues and Operating Expenses, (ii) all deposits or transfers to the credit of and all withdrawals from each special fund created under this Bond Order, (iii) the amounts on deposit at the end of such Fiscal Year to the credit of each such special fund (including the details of any investment thereof), and (iv) a balance sheet for the System.

(d) Each audit report must also include the findings of the accountants as to (i) whether the moneys received by the District under this Bond Order have been applied in accordance with the provisions of this Bond Order, (ii) whether any obligations for Operating Expenses were incurred exceeding the amounts appropriated in the Annual Budget, and (iii) whether the District was in default in the performance of any of the covenants contained in Article III. The audit must also include a calculation of compliance for the Fiscal Year with the rate covenant stated in Section 3.04.

(e) The District further covenants that within 180 days after the end of each of the District's Fiscal Years, the District will file with the LGC a certificate signed by a District Representative stating (i) whether there existed at the end of the Fiscal Year any violation of any of the District's covenants or agreements in this Bond Order, and (ii) whether at any time during the Fiscal Year any default occurred under this Bond Order, and if so, the nature of the default.

4.09. No Sale or Encumbrance. (a) Except as provided in (b) below, the District will not sell, lease or otherwise dispose of or encumber any System Assets except with the consent of 100% of the Holders.

(b) The District may, from time to time, sell or otherwise dispose of any System Assets as the District determines are not needed in connection with the maintenance and operation of the System. The District will apply all proceeds from any sale, lease or disposition of System Assets to the replacement of the properties so sold or otherwise disposed of, or will deposit the proceeds to the credit of the Capital Reserve Fund.

4.10. Creation of Liens on Revenues. The District will not create or permit to be created any charge or lien on the Net Revenues ranking equally with or prior to the charge or lien on the Net Revenues of the Bonds unless in conformity with the provisions of this Bond Order or otherwise required by law.

4.11. Instruments of Further Assurance. The District will, to the extent permitted by law and at any time, pass, make, do, execute, acknowledge and deliver all and every such additional orders, resolutions, acts, conveyances, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting and confirming all and singular the rights, System Revenues, and other funds hereby pledged or intended so to be, or which the District may later become bound to pledge or as may be reasonable and required to carry out the purposes of this Bond Order and to comply with the Act. The District will at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Net Revenues and all the rights of the Holders against all claims and demands of all persons.

4.12. Security for Deposits. The District shall provide that all moneys held under this Bond Order exceeding the amounts guaranteed by the Federal Deposit Insurance Corporation (or any other similar federal agency) are continuously secured, for the benefit of the District and the Holders of the Bonds, in the manner then be required by applicable State law or regulation.

4.13. Investment of Funds. The District will, as nearly as may be practicable, continuously invest and reinvest moneys held for the credit of the Revenue Fund, Operating Fund, Debt Service Fund, Short-Lived Asset Reserve Fund and Capital Reserve Fund in Legal Investments that mature, or which are subject to redemption at the option of the holder, not later than the respective dates when those moneys will be required for the intended

purposes. The District will, as nearly as may be practicable, continuously invest and reinvest moneys held for the credit of the Debt Service Reserve Fund in Legal Investments that mature, or which are subject to redemption at the option of the holder, not later than three years after the date of the investment.

Obligations and certificates of deposit purchased as investments of moneys in any Fund will be deemed always to be part of that Fund. The interest accruing thereon, and any profit realized therefrom, will be credited to the same Fund, and similarly any resulting loss will be charged to the same Fund. The District will sell at the best price obtainable, or present for redemption, any investment obligations whenever necessary to provide moneys to meet any required payment or transfer. Neither the District nor any District Representative will be liable or responsible for any loss resulting from any investment made in accordance with the terms of this Bond Order. To determine the amount on deposit to the credit of any Fund, investment obligations will be valued at their respective market values.

ARTICLE V

Default and Remedies

5.01. Events of Default. The following will be Events of Default:

(a) The District's failure to make full and timely payment of principal of or interest on any of the Bonds, or of any other amount payable with respect to any of the Bonds.

(b) The District's breach or failure to perform or observe any term, condition or covenant of this Bond Order on its part to be observed or performed, other than as referred to in subsection (a), for a period of 30 days after written notice specifying the failure and requesting that it be remedied has given to the District by any Bondholder, unless the District is diligently working toward a remedy of the default and the Bondholder agrees in writing to an extension of the time (which consent must not be unreasonably withheld), in which case no Event of Default will be deemed to be occurring;

(c) The occurrence of an Act of Bankruptcy.

(d) Any event of default occurring with respect to any Bonds not otherwise provided for in this Bond Order.

5.02. Remedies. Upon the occurrence and continuation of an Event of Default, the Government (whether or not it qualifies as the Majority Owner) or the Majority Owners at their option may:

(a) declare the entire unpaid principal amount of the Bonds then Outstanding and accrued interest thereon to be immediately due and payable;

(b) incur and pay such reasonable expenses for the District's account as may be necessary to cure the cause of any default (with the District being then obligated to repay those amounts); and

(c) proceed by appropriate court action to protect and enforce their rights under the Bonds and this Bond Order, either for the specific performance of any covenant or agreement, or for the execution of any power, or to have or enforce any proper legal or equitable remedy to protect and enforce those rights, including the fixing of Service Charges and the collection and proper application of the Net Revenues.

Notwithstanding any other provision of this Bond Order, the right of any owner of a Bond to receive payment of principal of and interest on its Bonds on or after the respective due dates, or to sue for the enforcement of any payment on or after the due dates, is not impaired and may not be impaired or affected without the owner's consent.

5.03. No Remedy Exclusive; Delay Not Waiver. All remedies under this Bond Order are cumulative and may be exercised concurrently or separately. The exercise of any one remedy will not be an election of that remedy or preclude the exercise of any other remedy. If any Event of Default occurs and is later waived, that waiver will be limited to the particular breach waived and will not be deemed a waiver of any other breach.

5.04. Notice of Default. The District will notify the LGC and the Government of the occurrence of any Event of Default as soon as reasonably possible and in any event within thirty days after the District has notice that

the Event of Default has occurred.

5.05. Appointment of Trustee. (a) At any time during the continuation of an Event of Default, any Bondholder may appoint a trustee (the “Trustee”) to serve as a fiduciary for all Bondholders. The District shall adopt any amendments or supplements to this Bond Order as may be reasonably requested by any Holder or the putative Trustee to effect the appointment.

(b) Any Trustee must be a corporation organized and doing business under the laws of the United States or any state or the District of Columbia that is (i) authorized by law to exercise corporate trust powers in the State, (ii) is subject to supervision or examination by the United States, any state, or the District of Columbia, (iii) has a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition, and (iv) is acceptable to the LGC and the Government, if the Government is the Holder of any Bonds.

(c) Any Trustee must exercise the rights and powers granted to it with the same degree of care and skill in their exercise that a prudent person would exercise or use under the circumstances and in the conduct of that person’s own affairs. Any Trustee must act for the collective benefit of all Bondholders.

The Majority Owners may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. The Trustee, however, may refuse to follow any direction that conflicts with law or this Bond Order, is unduly prejudicial to the rights of other Bondholders, or would involve the Trustee in personal liability.

(d) In addition to any remedies to the Trustee under this Bond Order (or any other agreement pursuant to which Bonds have been or may be issued or secured), or under State and federal law, during the continuation of an Event of Default the Trustee may:

(i) require the District immediately to pay to the Trustee all amounts in the District’s possession representing Net Revenues;

(ii) require the District to endorse all checks and other negotiable instruments representing System Revenues to the order of the Trustee immediately upon receipt, and to deliver endorsed instruments to the Trustee daily; and

(iii) notify any or all account debtors of the District to pay any amounts representing System Revenues, when due and owing, directly to the Trustee, as trustee, at any address in the United States designated by the Trustee.

(e) Any Trustee may resign by notifying the District and the Bondholders. The Majority Owners may remove the Trustee by notifying the Trustee and the District. A resignation or removal of the Trustee and appointment of a successor Trustee will become effective only upon the successor Trustee's acceptance of appointment as provided in this Section.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Majority Owners may appoint a successor Trustee.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee or the owners of at least 10% in principal amount of the Bonds Outstanding may petition any court of competent jurisdiction for the appointment of a successor Trustee.

A successor Trustee will deliver a written acceptance of its appointment to the retiring Trustee, as well as to the District, the LGC and the Government. Thereupon the resignation or removal of the retiring Trustee will become effective, and the successor Trustee will have all the rights, powers and duties of the Trustee under this Bond Order. The successor Trustee will mail notice of its succession to the Bondholders. The retiring Trustee will promptly transfer all trust property held by to the successor Trustee.

(f) After a Trustee has taken office pursuant to this Section, then a Trustee must always be in office until either (i) there are no Bonds Outstanding or (ii) the Government, the LGC and the Majority Owners all agree to rescind the Trustee's appointment.

ARTICLE VI

Supplemental Orders

6.01. Without Consent of Holders. The District may amend this Bond Order in any respect prior to the delivery of the Initial Bond.

The District may also, from time to time and at any time following delivery of the Initial Bond, adopt supplemental orders not inconsistent with the terms and provisions of this Bond Order (and these supplemental orders thereafter form a part of this Bond Order):

(a) to cure any ambiguity or formal defect or omission, or to correct any inconsistent provisions in this Bond Order or in any supplemental order;

(b) to grant to or confer upon the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Holders;

(c) to add additional conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Bond Order; or

(d) to add to the District's covenants and agreements or to surrender any right or power reserved to or conferred upon the District.

At least fifteen days prior to the adoption of any supplemental order for any of the purposes set forth above, the Registrar, at the District's expense, will cause a notice of the proposed adoption of the supplemental order to be mailed, postage prepaid, to the LGC and to the Government. The notice will briefly set forth the nature of the proposed supplemental order and state that copies are on file at the Registrar's Office for inspection by all Holders.

6.02. With Consent of Holders. The Majority Owners have the right, from time to time, to consent to and approve the adoption of any supplemental order or orders as the District may deem desirable to modify,

alter, amend, add to or rescind, in any particular, any of the terms of this Bond Order or of any supplemental order.

Nothing in this Bond Order, however, permits (a) an extension of the maturity of the principal of or the interest on any Bond without the consent of the Holder of that Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest on the Bonds without the consent of its Holder, or (c) the creation of a lien upon or a pledge of System Revenues other than the lien and pledge created by this Bond Order without the consent of the Holders of all Bonds Outstanding, or (d) a preference or priority of any Bond over any other Bond without the consent of the Holders of all Bonds Outstanding, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to any supplemental order without the consent of the Holders of all Bonds Outstanding.

6.03. Obtaining Consents. If at any time the District determines to adopt any supplemental order for any of the purposes described in Section 6.02, the Registrar, at the District's expense, will cause notice of the proposed adoption of the supplemental order to be mailed, postage prepaid, to each Holder of Bonds at the addresses appearing on the registration books. The notice will briefly set forth the nature of the proposed supplemental order and will state that copies are on file at the Registrar's Office for inspection by all Holders. The Registrar will not, however, be subject to any liability to any Holder because of its failure to cause the notice required by this Section to be mailed, and no failure affects the validity of the supplemental order when consented to and approved as provided in this Section.

Whenever, at any time within one year after the date of the first mailing of a notice, the District delivers to the Registrar an instrument or instruments in writing purporting to be executed by the Majority Owners, which instrument or instruments refer to the proposed supplemental order described in the notice and specifically consent to and approve its adoption in substantially the form identified in the notice, thereupon, but not otherwise, the District may adopt the supplemental order in substantially that form, without liability or responsibility to any Holder of any Bond, whether or not any particular Holder has consented.

If the Majority Owners consent to and approve the adoption of a supplemental order as provided above, no Holder of any Bond has any right

to object to the adoption of the supplemental order, or to object to any of its terms or to its operation, or in any manner to question the propriety of its adoption, or to enjoin or restrain the District from adopting the same or from taking any action pursuant to its provisions.

Upon the adoption of any supplemental order pursuant to the provisions of this Section, this Bond Order will be effectively modified and amended in accordance with the supplemental order. The respective rights, duties and obligations under this Bond Order of the District, the Registrar and all Holders of Bonds will then be determined, exercised and enforced in all respects under the provisions of this Bond Order as so modified and amended.

Bonds owned or held by or for the account of the District shall not be deemed Outstanding and shall be excluded for the purpose of any consent or any calculation provided for in this Article.

Bonds delivered after the effective date of any action taken as provided in this Article may bear a notation by endorsement or otherwise in form approved by the District and Registrar as to the action. If the District and Registrar shall so determine, new Bonds modified to conform to any action shall be prepared, authenticated and delivered to the Holder of any Bond then Outstanding, without cost to such Holder, in exchange for and upon surrender of those Outstanding Bonds.

6.04. Amendment with Unanimous Consent. Notwithstanding anything contained in this Article, the terms of this Bond Order, and the rights and obligations of the District and of the Holders of the Bonds, may be modified or amended in any respect upon the adoption by the District of an order to that effect, and the filing with the District and the LGC of the written consent of Holders of all the Bonds Outstanding. No subsequent notice to Holders is required.

6.05. Government Consent Required. For so long as the Government is the registered owner of any portion of the Bonds, the District may amend this Bond Order after the issuance of the Initial Bond only with the Government's consent.

ARTICLE VII

Miscellaneous Provisions

7.01. Execution of Bonds. Each Bond will be signed by the manual or facsimile signature of the County Board's Chairman or the County Manager, and the County's seal (or a facsimile of the seal) will be affixed to the Bond and attested by the manual or facsimile signature of the Clerk to the County Board (or any Assistant Clerk). In addition, each Bond will carry a certificate of the LGC as provided by law. No Bond will be valid, however, unless at least one of the signatures appearing on the Bond (which may be the signature of the LGC's representative) is manually applied or until the Bond has been authenticated by the manual signature of an authorized officer or employee of an independent Registrar selected by the District.

7.02. Registration and Transfer of Bonds; Restrictions on Transfer. The Registrar shall maintain records for the registration of ownership and transfers of the Bonds. The Registrar will transfer the record of ownership of any Bond only upon surrender of the Bond to the Registrar, with the Bond accompanied by an assignment duly executed by the Holder or its attorney or legal representative in a form reasonably satisfactory to the Registrar. Upon any registration of transfer, the District shall execute, and the Registrar shall deliver in exchange for such Bond, a new Bond of the same series registered in the name of the transferee and in an aggregate principal amount equal to the unpaid principal amount of the transferred Bond, having maturities corresponding to the principal installments of the transferred Bond and bearing interest at the same rate.

The District and the Registrar shall process any Bond transfer as soon as practicable upon receipt of a request for re-registration. The District and the Registrar may make a charge for every transfer of Bonds sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such transfer, but may not make any additional charge. Neither the District nor the Registrar is required to register any transfer of Bonds during the fifteen days immediately preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, after a notice of redemption has been sent to the existing Holder.

The Registrar will not register the transfer of any Bonds, or any portion of Bonds, to any person other than a bank, an insurance company or a similar financial institution unless the LGC has previously approved the transfer.

7.03. Ownership of Bonds. The Registrar shall treat the registered owner of each Bond as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner, and payment of or on account of the principal of and the interest on any such Bond will be made only to the Holder or its legal representative. For any portion of Bonds not registered to the Government, however, (a) the District will make payments of principal and interest to the person shown as the registered owner as shown on the record books at the end of the calendar day on the 15th day of the month preceding the payment date (whether or not a business day), and (b) the final installment will be payable on presentation and surrender as provided for in Section 1.04.

7.04. Mutilated, Lost, Stolen or Destroyed Bonds. (a) If any Outstanding Bond is damaged, mutilated, lost, stolen or destroyed, the District shall execute and deliver a replacement Bond, of the same tenor as the damaged, mutilated, lost, stolen or destroyed Bond, in the manner provided below.

(b) A Bondholder must apply to the District for exchange and substitution of damaged, mutilated, lost, stolen or destroyed Bonds. An applicant for a replacement Bond must furnish to the District reasonable security or indemnity as the District may require to save it harmless. An applicant for a replacement Bond must furnish to the District such security or indemnity as the District may require to save it harmless and must also comply with the requirements of Section 159-37 of the General Statutes, or any successor provision. In every case of loss, theft or destruction of a Bond, the applicant must also furnish evidence to the District's satisfaction of the loss, theft or destruction. In the case of damage or mutilation of a Bond, the applicant must surrender the damaged or mutilated Bond.

(c) Notwithstanding the foregoing, if any Bond has matured, and no default is then continuing in the payment of the principal of or interest on the Bond, the District may pay the same (without surrender of the Bond except in the case of a damaged or mutilated Bond) instead of issuing a substitute Bond,

provided security or indemnity is furnished as provided above in the case of a lost, stolen or destroyed Bond.

(d) The District shall charge the Holder of such Bond with all expenses in connection with the issuance of any substitute Bond. Every substitute Bond issued pursuant to the provisions of this Section because any Bond is lost, stolen or destroyed, whether or not the lost, stolen or destroyed Bond may be found at any time, or may be enforceable by anyone, will be entitled to all the benefits of this Bond Order equally and proportionally with all other Bonds duly executed and delivered under this Bond Order.

7.05. Cancellation. The registered owners of all Bonds paid, redeemed or purchased either at or before maturity, shall, at the District's direction, deliver those Bonds to the Registrar or to the District when such payment, redemption or purchase is made. The Registrar shall then cancel and destroy those Bonds. The Registrar shall keep a record of all Bonds it destroys.

7.06. Unclaimed Moneys. The District shall hold in trust for the respective Holders of Bonds all moneys that the District has set aside for the purpose of paying any of the Bonds, whether at maturity or upon call for redemption. The District will treat any moneys which have been set aside and remained unclaimed by the Holders for the period of five years after the date on which those Bonds have become payable as abandoned property pursuant to the provisions of Section 116B-18 of the North Carolina General Statutes, or any successor provision. The District shall then report and remit this property to the Escheat Fund according to the requirements of Article 3 of Chapter 116B of the North Carolina General Statutes, or any successor provision. Thereafter the Holders of those Bonds may look only to the Escheat Fund for payment, and then only to the extent of the amounts so received, without any interest thereon. The District has no further responsibility with respect to those moneys.

7.07. Resolutions as to Tax Matters. The District shall not take or omit to take any action the taking or omission of which will cause the Bonds to be "arbitrage bonds," within the meaning of Code Section 148, or "private activity bonds" within the meaning of Code Section 141, or otherwise cause interest on the Bonds to be includable in gross income for federal income tax purposes. Without limiting the generality of the foregoing, the District will

comply with any Code provision that may require the District at any time to pay to the United States any part of the earnings derived from the investment of the proceeds of the Bonds.

7.08. Initial Bond Is a “Bank-Qualified” Obligation. The District designates the Initial Bond as a "qualified tax-exempt obligation" for the purpose of Code Section 265(b)(3), which provides certain tax advantages to financial institutions that purchase obligations like the Initial Bond. The Board authorizes the Finance Officer and all other County officers to confirm, or refute, this designation by appropriate certifications delivered in connection with the original issuance of the Initial Bond.

7.09. Discharge of Bond Order. If, when the Bonds secured by this Bond Order have become due and payable in accordance with their terms or have been duly called for redemption and the whole amount of the principal and the interest and premium, if any, so due and payable upon all of the Bonds then Outstanding has been paid, then and in that case the right, title and interest of the Holders in the System Revenues and funds mentioned in this Bond Order ceases, terminates, and becomes void. The District may then apply any and all balances remaining in any funds to any lawful purpose as the District may determine.

7.10. Payments When Funds Are Insufficient. If at any time moneys are insufficient to pay the interest on or the principal of the Bonds as the same become due and payable (either by their terms or by acceleration of maturities), all moneys in the Debt Service Fund and Debt Service Reserve Fund, together with any other moneys then available or thereafter becoming available for such purpose, shall be applied as follows:

(a) Unless the principal of all the Bonds has become or has been declared due and payable, all moneys will be applied as follows:

first: to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of that interest; if the amount available is not sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds;

second: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of this Bond Order), in the order of their due dates, with interest on those Bonds from the respective dates upon which they became due; if the amount available is not sufficient to pay in full Bonds due on any particular date, together with that interest, then to the payment ratably, according to the amount of principal due on the payment date, to the persons entitled thereto without any discrimination or preference; and

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

(b) If the principal of all the Bonds has become due or has been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid on the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all of the Bonds has been declared due and payable and if the declaration is then later rescinded and annulled, then the moneys remaining in and later accruing to the Debt Service Fund and the Debt Service Reserve Fund are to be applied in accordance with the provisions of paragraph (a) of this Section.

7.11. Effect of District's Undertakings. All of the covenants, stipulations, obligations and agreements contained in this Bond Order are covenants, stipulations, obligations and agreements of the District to the full extent permitted by law, and all such covenants, stipulations, obligations and agreements are binding upon the District's successor or successors from time to time, and upon any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting these

covenants, stipulations, obligations and agreements may be transferred in accordance with law.

7.12. Notices. Any communication provided for in this Bond Order must be in writing (not to include facsimile transmission or electronic mail). Any communication under this Bond Order will be deemed given on the delivery date shown on a United States Postal Service certified mail receipt or a delivery receipt (or similar evidence) from a national commercial package delivery service.

If the notice is intended for the District, it must be addressed as follows: East Moore Water District, Attention: Moore County Manager, Re: Notice under EMWD Water Revenue Bond Order, P.O. Box 905, Carthage, NC 28327. The District may designate an additional or alternate address for notices by notice given under this Bond Order.

If this Bond Order calls for the District to send any notice to the Government, the District will send a copy of that notice to every Identifiable Bondholder, even if the Government is no longer the Holder of any Bonds at the time for giving the notice.

The District shall promptly upon receipt send a copy of any notice or other communication so sent or received by it to the LGC at the following address: North Carolina Local Government Commission, Attention: Secretary of the Commission, Re: Notice for East Moore Water District -- Water Revenue Bond, Longleaf Building, 3200 Atlantic Ave., Raleigh, NC 27604. If the LGC designates to the District a different address for notices, then the District will use that different address.

7.13. Execution of Instruments by Holders; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted by this Bond Order to be signed or executed by Holders (a) may be in any number of concurrent instruments of similar tenor and (b) may be signed or executed by Holders in person or by agents appointed by an instrument in writing. Any request or consent of a Holder will bind every future Holder of the same Bond in respect of anything done by the Registrar pursuant to that request or consent.

7.14. Interested Parties. Except as otherwise expressly provided in this Bond Order, nothing in this Bond Order expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the District, the Registrar and the Bondholders any right, remedy or claim, legal or equitable, under or by reason of any term of this Bond Order.

7.15. Indemnification. To the extent permitted by law, the District will indemnify, defend, protect and save the Bondholders, the LGC (and its officers and employees), and all their representatives harmless from all liability, obligations, losses, claims, damages, actions, suite, proceedings, costs and expenses, including legal fees and expenses, arising out of, connected with, or resulting directly or indirectly from the Project or the System or the transactions contemplated by this Bond Order, including without limitation, the possession, condition, construction or use of the Project or the System. The District's obligation for indemnification under this Section survives the payment of the Bonds in full.

7.16. Limitation of Officials' Liability. No covenant, condition or agreement contained in this Bond Order will be deemed to be a covenant, agreement or obligation of a present or future member, officer, employee or agent of the County, the District or the LGC in that person's individual capacity. No County, District or LGC officer will be liable personally on any Bonds or be subject to any personal liability or accountability by reason of the issuance of Bonds. No County, District or LGC officer, employee or agent will incur any personal liability with respect to any other action taken by that person pursuant to this Bond Order, provided that person acts in good faith. No recourse may be had by any Bondholder for any claims based on this Bond Order or otherwise against the LGC or any member, officer, employee or agent of the LGC in that person's individual capacity, with all such liabilities, if any, being expressly waived and released.

7.17. Severability. The provisions of this Bond Order are severable. If any court of competent jurisdiction holds any provision of this Bond Order to be unenforceable, that holding will not invalidate any other provision of this Bond Order.

7.18. Governing Law; Venue. The District intends that North Carolina law will govern the Bonds, this Bond Order and all matters of their interpretation. To the extent permitted by law, this Bond Order requires that

any action brought with respect to this Bond Order must be brought in the North Carolina General Court of Justice in Moore County, North Carolina.

7.19. Headings. Any article or section headings in this Bond Order are solely for convenience of reference, and are not intended to affect its meaning, construction or effect.

7.20. Authority and Mandate of Officers. The Board directs all officers and agents of the County or the District to do all the acts and things required of them by the Bonds and this Bond Order for the full, punctual and complete performance of all of the terms of the Bonds and this Bond Order.

7.21. Conditions Precedent. Upon the issuance of the Initial Bond all acts conditions, and things required by the Constitution and statutes of the State or this Bond Order to happen, exist and to be performed precedent to or in the issuance of the Initial Bond will have happened, exist and have been performed.

7.22. 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 is not a Business Day, the payment may be made or act performed or right exercised on or before the next succeeding Business Day. For this Bond Order, a “Business Day” is any day on which banks in the State are not by law authorized or required to remain closed because of the celebratory or commemorative nature of the day.

7.23. Definitions; Rules of Interpretation. For the purposes of this Bond Order, terms with initial capital letters not otherwise defined have the meanings assigned to them in Exhibit B. This Bond Order should be interpreted in accordance with the rules stated at the end of Exhibit B.

7.24. County and District Officials To Complete Closing. (a) The Board authorizes the County Manager and all other County officers to take all appropriate action to complete the issuance of the Initial Bond to the Government in accordance with this Bond Order. The Board authorizes the County Manager to hold executed copies of all financing documents authorized by this Bond Order in escrow on the District's behalf until the conditions for their delivery have been completed to that officer's satisfaction, and then to release the executed copies of such documents for delivery to the appropriate

persons or organizations.

(b) Without limiting the generality of the foregoing, the County Board specifically authorizes the County Manager to approve changes to any agreements or certifications previously signed by County officers or employees, provided that the changes do not substantially alter the intent of the documents from that expressed in the form originally signed. The County Manager's authorization of the release of any document for delivery will constitute conclusive evidence of that officer's approval of any such changes.

(c) In addition, the County Board authorizes the County Manager to take all appropriate steps for the efficient and convenient carrying out of the District's on-going responsibilities with respect to the Bonds. This authorization includes contracting with third parties for reports and calculations that may be required under the Bonds, this Bond Order, or otherwise with respect to the Bonds or the financing of the Project.

(d) The Board authorizes all County officers and employees to take all further action as they may consider necessary or desirable in furtherance of the issuance of the Initial Bond and the purposes of this Bond Order. The Board ratifies all prior actions of County officers and employees in this regard. Upon the absence, unavailability or refusal to act of the Board's Chairman, the County Manager, or the Finance Officer, any other of those officers may assume any responsibility or carry out any function assigned in this Bond Order. In addition, the Board's Vice Chairman or any Deputy or Assistant Clerk may assume any responsibility or carry out any function assigned to the Board's Chairman or the Clerk, respectively, in this Bond Order.

7.25. Contract with Bondholder. The provisions of this Bond Order constitute a contract between the District and the Bondholders for so long as any Bonds are Outstanding.

7.26. Effective Date; Repealer. This Bond Order takes effect immediately. All other Board proceedings, or parts thereof, in conflict with this Bond Order are repealed to the extent of the conflict.

Exhibit A -- Form of the Initial Bond

Registered Bond without Coupons

(Registered as to both principal and interest)

No. R-1

\$1,395,000

UNITED STATES OF AMERICA

STATE OF NORTH CAROLINA

EAST MOORE WATER DISTRICT

Water Revenue Bond, Series 20XX

East Moore Water District (the "District"), for value received, hereby acknowledges itself indebted and promises to pay, solely from the Net Revenues and other funds described below and pledged to the payment of this Bond, to the

UNITED STATES OF AMERICA

**UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT**

(the "Government"), its successors and its registered assigns (the "Bondholder"), the principal sum of

**ONE MILLION THREE HUNDRED NINETY-FIVE THOUSAND
DOLLARS (\$1,395,000)**

in annual installments on June 1 in years and amounts as follows:

Date (June 1)	Principal Amount (\$)	Date (June 1)	Principal Amount (\$)
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[to come]			

subject to prepayment as described below, together with interest on the unpaid principal from the date of this Bond until payment of the entire principal sum at the annual rate of ____%, with that interest payable on June 1, ____, and annually thereafter on each June 1.

In all events, (1) all payments on this Bond will be applied first to interest accrued and unpaid to the payment date and then to principal, and (2) if not sooner paid, the entire principal of and interest on this Bond will be due and payable on June 1, ____.

While the Government is the registered owner of this Bond, the District may prepay principal of this Bond, in whole or in part at any time at the District's option, without premium or penalty. Any prepayment will be applied first to any accrued and unpaid interest and then to installments of principal in inverse order of maturity. No prepayment in any way affects the District's obligation to pay when due the remaining scheduled installments of principal of and interest on this Bond. On any date designated for prepayment, this Bond (or the applicable portions of this Bond) becomes due and payable, and the interest on this Bond, or the portion prepaid, ceases to accrue, so long as notice has been given and moneys for the payment of the prepayment price are being held in trust for that purpose as provided in the Bond Order, as defined below.

Because this Bond allows for partial prepayment, **the actual principal amount outstanding on this Bond may be different from the amount determined by reference to the principal payment schedule stated above.**

This Bond has been authorized and is issued pursuant to a bond order adopted by the Moore County Board of Commissioners, as the District's governing board, on September 1, 2020 (the "Bond Order"). This Bond is issued to provide funds, to be used together with other available funds, to pay

costs of the acquisition and construction of improvements to the District's public water system, especially including costs of water line extensions.

This Bond is a limited obligation of the District, payable as to both principal and interest solely from the Net Revenues (as defined in the Bond Order) and other funds pledged to that payment as provided in the Bond Order. Nothing in this Bond or in the Bond Order creates or constitutes a pledge of the faith and credit of the District, the State of North Carolina, or of any other county, city, town or other political subdivision of the State.

Reference is made to the Bond Order, and to any amendments or supplements to the Bond Order, for a description of the provisions, among others, with respect to the nature and extent of the security, the District's rights, duties and obligations, the Bondholder's rights and the terms upon which this Bond is issued, to all of which provisions each Bondholder, by the acceptance of this Bond, agrees. A copy of the Bond Order is on file with the Clerk to the Moore County Board of Commissioners in Carthage, North Carolina.

The District may issue additional obligations secured by a pledge of Net Revenues, including obligations secured equally and ratably with this Bond, from time to time under the conditions, limitations and restrictions set forth in the Bond Order.

This Bond is registered as to both principal and interest. The District's Finance Officer has been appointed Registrar for this Bond and charged with the responsibility for maintaining appropriate registration books and records indicating ownership of this Bond. The District will treat the registered owner of this Bond as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

The registered owner of this Bond may register the transfer of the ownership of this Bond only by delivery to the Registrar of an assignment, in form and substance reasonably acceptable to the Registrar, that has been executed by the registered owner or its duly authorized attorney or legal representative. Upon receipt of an appropriate assignment, the Registrar will register this Bond as to both principal and interest on the District's registration books in the name of the transferee named in the assignment.

The Registrar will not, however, register the transfer of this Bond, or any portion of this Bond, to any person other than a bank, an insurance company or a similar financial institution unless the North Carolina Local Government Commission has previously approved the transfer. In addition, the Registrar is not required to make any registration of transfer during the fifteen days immediately preceding an interest payment date on this Bond or after any notice of a redemption has been sent to the registered owner.

So long as the Government is the registered owner of this Bond, the District will pay principal and interest in whatever fashion, including automatic debiting, as the Government may designate. For any portions of this Bond for which the Government is no longer the registered owner, the District will pay principal and interest by check or draft mailed on the payment date to the registered owner of this Bond at its address as it appears on the registration books kept by the Registrar, except that the final installment will be payable upon presentation and surrender of this Bond to the Registrar as described in the Bond Order at the Moore County finance office in Carthage, North Carolina.

Principal and interest are payable in lawful money of the United States of America. Interest is calculated on the basis of the actual number of days elapsed and a year of 365 days.

The District has designated this Bond as a "qualified tax-exempt obligation" for the purpose of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The District intends that North Carolina law will govern this Bond and all matters of the interpretation of this Bond and the Bond Order.

All acts, conditions and things required by the Constitution and laws of the State of North Carolina to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed, and the issue of Bonds of which this Bond is one, together with all other District indebtedness, is within every debt and other limit prescribed by the Constitution and laws of the State of North Carolina.

IN WITNESS WHEREOF, the governing board of East Moore Water District has caused this Note to be signed by the Chairman of its governing

board, to be countersigned by the Clerk to the Moore County Board of Commissioners, and this Bond to be dated _____, 20XX.

COUNTERSIGNED:

East Moore Water District

[name]
Clerk, Board of Commissioners
Moore County, North Carolina

By: _____
[name]
Chairman, Board of Commissioners
Moore County, North Carolina

[\$1,395,000 Water Revenue Bond, Series 20XX]

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The issuance of the within Bond has been approved under the provisions of The State and Local Government Revenue Bond Act, Article 5, Chapter 159 of the North Carolina General Statutes, as amended.

Local Government Commission of North Carolina

Greg C. Gaskins
Secretary, North Carolina
Local Government Commission

By _____
[Greg C. Gaskins or
Designated Assistant]

ASSIGNMENT

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

Dated: _____

Signed: _____
Registered Owner

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

**[\$1,395,000 Water Revenue Bond, Series 20XX,
of East Moore Water District, North Carolina]**

Exhibit B – Definitions; Rules for Interpretation

Whenever used in this Bond Order, unless a different meaning clearly appears from the context:

“Act” means The State and Local Government Revenue Bond Act, constituting Article 5 of Chapter 159 of the General Statutes of North Carolina, as it is now in effect or as it may be later amended.

"Act of Bankruptcy" means (a) the District's filing of a voluntary petition for relief under any bankruptcy or similar law, (b) the District's admission of insolvency, or the District's general failure to pay its debts as they become due, (c) the filing of an involuntary petition for relief against the District as a debtor under any bankruptcy or similar law, and the District's failure to have the petition dismissed within 30 days of its filing, or (d) the filing of any petition for the appointment of a receiver for the System or the System Revenues, or any similar petition, and the District's failure to have the petition dismissed within 30 days of its filing.

"Additional Bonds" means any bonds or other obligations secured in whole or in part by a lien on Net Revenues that ranks on a parity with the lien on Net Revenues securing the Initial Bond.

“Annual Budget” means any budget or amended budget of Operating Expenses adopted or in effect pursuant to Section 4.07.

“Annual Short-Lived Asset Reserve Requirement” means \$16,333, and the “Total Short-Lived Asset Reserve Requirement” means \$135,000, in each case plus any additional amounts required by supplements or amendments to this Bond Order.

“Appropriate Consultant” means one or more independent persons having (at the time retained for the purposes of this Bond Order) a favorable reputation for skill and experience in an appropriate area of expertise, as the District may select to carry out any of the duties imposed on an Appropriate Consultant by this Bond Order.

“Bond” or “Bonds” means any bond or bonds authorized by this Bond Order, and includes the Initial Bond and any Additional Bonds, and also

includes any Bond Anticipation Notes.

“Bondholder” or “Holder” or any similar term, when used with reference to a Bond or Bonds, means any person who is the registered owner of any Outstanding Bond or Bonds.

“Bond Anticipation Notes” means any notes issued under the authority of Section 2.04.

“Bond Order” means this Bond Order, as it may be from time to time properly amended or supplemented.

“Capital Reserve Fund means the fund of that name created pursuant to Section 3.05.

“Closing Date” means the date the Initial Bond is first delivered to the Government in exchange for the purchase price.

“Code” means the Internal Revenue Code of 1986, as amended, and includes all Treasury Regulations.

“County” means Moore County, North Carolina, or any successor to its functions.

“County Board” means the County’s governing body as constituted from time to time.

“Debt Service Fund” means the fund of that name created pursuant to Section 3.05.

“Debt Service Requirement” means, with respect to any Fiscal Year, the amount required to pay the principal of and interest on the Bonds and the Other Debt Obligations in that Fiscal Year. The computation of this amount is to be based on the assumptions that (a) all principal will be paid according to its stated maturities or mandatory redemption requirements, and (b) if any obligation bears interest at a variable rate, the rate is the ceiling rate. For any Bond Anticipation Note, the “Debt Service Requirement” is to be calculated only on the basis of the interest due in the Fiscal Year, so long as there is no existing default on the payment of principal of that Bond Anticipation Note.

“Debt Service Reserve Fund” means the fund of that name created pursuant to Section 3.05.

“Debt Service Reserve Requirement” means a sum equal to the average amount payable on the Initial Bond for principal and interest in the then-current or any future Fiscal Year, plus any additional amounts required by supplements or amendments to this Bond Order.

“District” means East Moore Water District, or any successor to its functions.

“District Board” means the District’s governing body as constituted from time to time. At the time of the adoption of this Bond Order, the County Board is the District Board.

“District Representative” means the County Board’s Chairman, the County Manager or the County’s Finance Officer, or any other person or persons at the time designated, by a written certificate of the District signed by the District Board’s Chairman and containing the specimen signature of that person or persons, to act on the District’s behalf for the purpose of performing any act (or any specified act) under this Bond Order.

“Event of Default” means any of the events specified in Section 5.01.

“Finance Officer” means the County’s statutory finance officer.

"Fiscal Year" means District's Fiscal Year beginning July 1 of each calendar year and ending the following June 30, or such other Fiscal Year as District may later lawfully establish, and also includes the period from the Closing Date to the next succeeding June 30.

"General Obligation System Bonds" means bonds or other debt obligations of the District, whether now Outstanding or issued later, (a) the proceeds of which are or have been used to finance the acquisition or construction of any portion of the System, and (b) that are secured by a pledge of the District's full faith and credit.

“Government” means the United States of America, acting by and

through Rural Utilities Service, an agency of the United States Department of Agriculture, as the initial purchaser of the Initial Bond, or any governmental successor to the functions of that agency.

“Identifiable Bondholder” means any Holder that has filed with the Registrar a request in writing setting forth the Holder’s name and address to which reports, notices or other documents are to be mailed to the Holder under the terms of this Bond Order.

“Initial Bond” means the District’s \$1,395,000 water revenue bond issued as the initial bond under this Bond Order pursuant to Article I.

“Installment Financing” means any installment financing, lease-purchase or other obligation incurred or contracted by the District to finance the acquisition or construction of System Assets, but excludes any obligations expressly secured by any lien on Net Revenues.

“Legal Investments” means any investments permitted to the District under Section 159-30 of the General Statutes of North Carolina, as amended, or any successor provision.

“LGC” means the North Carolina Local Government Commission, or any successor to its functions.

“Majority Owners” means any registered owner or group of registered owners of Bonds that together own a majority by Outstanding principal amount of the Bonds.

“Net Revenues” for any particular period means the amount of the excess of System Revenues over Operating Expenses for that period.

“Operating Expenses” means the District's reasonable and necessary current expenses of operation, maintenance and repair of the System as determined in accordance with generally accepted accounting principles, including premiums for insurance, administrative and engineering expenses relating to operation, maintenance and repair of the System, costs or expenses related to the issuance of Bonds or other financing for the System, any taxes, fees and charges which may be lawfully imposed on the System, and operating lease payments. “Operating Expenses” may include expenses

that are not annually recurring, but does not include any allowance for depreciation or any payment of interest on borrowed money.

“Other Debt Obligations” means any debt obligations incurred before or after the date of the adoption of this Bond Order for the purposes and benefit of the System, other than Bonds. “Other Debt Obligations” may include General Obligation System Bonds, Subordinate Bonds and any Installment Financing.

“Outstanding,” when used with reference to Bonds, or “Bonds Outstanding,” means all Bonds that have been delivered by the District under this Bond Order and that have not yet been paid, except the following:

(a) Bonds cancelled or purchased by or delivered to the District for cancellation;

(b) Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which, including interest accrued to the due date, the District or a fiduciary holds sufficient moneys; and

(c) Bonds in lieu of which others have been authenticated and exchanged pursuant to Section 7.02.

"Project" means the District's undertaking of improvements to its public water system, especially including the acquisition and construction of expansions and improvements to the District's water treatment plant, all as previously approved by the District ***[and as described in [engineering report]]***.

"Project Costs" means all costs of the engineering, design, planning, permitting, construction, acquisition, installation, equipping and general carrying out of the Project, as determined in accordance with generally accepted accounting principles, and that will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Initial Bond, including (a) sums required to reimburse the District for its agents for advances made for any of these costs, (b) interest during the construction process and for up to six months thereafter, and (c) all costs

related to the financing of the Project through the issuance of the Initial Bond and all related transactions.

"Registrar" means the Finance Officer or any successor agent for the maintenance of registration books reflecting ownership of the Bonds as the District Board may appoint.

"Registrar's Office" means the office of the Finance Officer in Carthage, North Carolina, or any successor office as any Registrar may from time to time designate in writing to all the Bondholders.

"Revenue Fund" means the fund of that name created pursuant to Section 3.05.

"Service Charges" means all rates, fees and charges, including service, connection and other charges, assessed or imposed for the use of, and for the services and facilities furnished or to be furnished by, the System, as prescribed or fixed by the District.

"State" means the State of North Carolina.

"Subordinate Bonds" means both (a) any bonds, notes or other obligations of the District for purposes of the System that are secured by a lien on Net Revenues which is expressly made subordinate to the lien on Net Revenues securing the Bonds, and (b) obligations incurred by the District to the State as part of the State's water or wastewater revolving loan funds (as now or hereafter constituted, and by whatever name designated). The term "Subordinate Bonds" does not include any Installment Financing.

"System" means all the District's plants, systems, facilities, equipment or other assets, including both real and personal property, used or useful in the collection, supply, storage, treatment and distribution of water.

"System Assets" means any property used or useful in the operation of the System, including property used in conjunction with operation or maintenance of other System Assets, and including machinery, tools, and other equipment, as well as land, buildings, and interests in land or other property.

“System Improvements” means any improvements, enlargements, betterments or extensions of the System, including the acquisition of equipment or other personal property, and the acquisition and development (including development in preparation for construction or other use) of real property.

"System Revenues" means all moneys received by the District in connection with or as a result of the District's ownership or operation of the System, including all moneys received in payment of Service Charges and any investment income, as determined in accordance with generally accepted accounting principles, and expressly including the proceeds of any insurance covering business interruption loss relating to the System. The term "System Revenues," however, expressly does not include the proceeds of any borrowing for payment of the costs of, or grants or donations intended for, specific System Improvements.

All references in this Bond Order to designated "Sections" and other subdivisions are to the designated sections and other subdivisions of this Bond Order. The words "hereof" and "hereunder" and other words of similar import refer to this Bond Order as a whole and not to any particular Section or other subdivision unless the context indicates otherwise. Words importing the singular number will include the plural number and vice versa. The term "including" should be understood to mean "including, but not limited to."