

Orange Water and Sewer Authority
Meeting of the Board of Directors
October 24, 2019

The Board of Directors of the Orange Water and Sewer Authority (OWASA) held a regular meeting on Thursday, October 24, 2019, at 7:00 p.m. in Chapel Hill Town Hall Council Chamber.

Board Members present: Raymond (Ray) DuBose (Chair), Bruce Boehm (Secretary), John Cooley, Jody Eimers, John N. Morris and Bruce Runberg. Board Members absent: Ruchir Vora (Vice Chair), Yinka Ayankoya and Robert Morgan.

OWASA staff present: Mary Darr, Monica Dodson, Robin Jacobs (Epting and Hackney), Ed Kerwin, Ken Loflin, Linda Low, Andrea Orbich, Ruth Rouse, Todd Taylor, Allison Spinelli and Stephen Winters.

Others present: Ursula Chioke (UNC Student), Meg Holton (UNC Water Resources Manager), Sofia Lesnewski (Daily Tarheel), Brittany McGee (Daily Tarheel), Ben Poulson (UNC Associate Director of Energy Services) and Metra Sheshbaradavan (UNC Student).

Motions

1. John Morris made a motion to approve the Minutes of the October 12, 2019 Closed Session of the Board of Directors for the purpose of discussing a personnel matter; second by Bruce Boehm and unanimously approved.
2. BE IT RESOLVED THAT the Board of Directors of the Orange Water and Sewer Authority adopts the Series Resolution of the Orange Water and Sewer Authority Relating to the Issuance of Not Exceeding \$20,000,000 Water and Sewer System Revenue Bonds, Series 2019 of Said Authority Pursuant to the Provisions of Section 2.08 of an Amended and Restated Bond Order Adopted by Said Authority on September 13, 2001, as Amended, And Requesting the Local Government Commission of North Carolina to Award Said Bonds at Private . (Motion by John Morris, second by Bruce Boehm and unanimously approved.)
3. BE IT RESOLVED THAT the Board of Directors of the Orange Water and Sewer Authority adopts the Series Resolution of the Orange Water and Sewer Authority Relating to the Issuance of Not Exceeding \$11,000,000 Water and Sewer System Revenue Refunding Bonds, Series 2020 of Said Authority Pursuant to the Provisions of Section 2.08 of an Amended and Restated Bond Order Adopted by Said Authority on September 13, 2001, as Amended, and Requesting the Local Government Commission of North Carolina to Award Said Bonds at Private Sale. (Motion by John Morris, second by Bruce Boehm and unanimously approved.)

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Announcements

Ray DuBose asked if any Board Member knows of a conflict of interest or potential conflict of interest with respect to any item on the agenda tonight to disclose the same at this time; none were disclosed.

Mr. DuBose said the Board held a special meeting on October 16, 2019 to interview consulting firms to conduct the Executive Search and Assessment Services for OWASA's next Executive Director. Following the interviews and Board discussion, the Board unanimously selected Slavin Management Consultants as the firm best suited for these services, and authorized staff and General Counsel to work with the Human Resources Committee, to develop the consultant's scope of work.

Mr. DuBose said Mary Tiger and he attended the October 22, 2019 Orange County Climate Council Meeting. The group is still forming, and discussion primarily focused on increasing diverse community representation on the Council, as well as the development of the mission, vision, and values upon which the Orange County Climate Council's work is focused.

Mr. DuBose said members of the Orange County Board of Commissioners and Orange County Appointees to the OWASA Board will meet on Thursday, November 14, 2019 at 8:30 a.m. in the OWASA Boardroom to discuss items of mutual interest.

John Cooley said the Chapel Hill Town Council OWASA Committee and Chapel Hill appointees to the OWASA Board met on October 17, 2019. Mr. Cooley said discussion items included: managing taste and odor in drinking water; employee diversity and inclusion; engagement with people living in master metered locations; and status update on the Rogerson Drive Force Main replacement.

Bruce Boehm said the Finance Committee met on October 22, 2019 to discuss how to enhance the process of developing the operating budget to allow the Board of Directors and staff to evaluate alternatives more effectively. The Committee and staff agreed the purpose is to improve the way budget information is presented to the Board and public as well as to assist in the decision-making process, with the goal of tying spending to measurable outcomes. Mr. Boehm stated that this will be an iterative process that may span several annual budget cycles.

Ed Kerwin recognized OWASA employees who have served for 10, 15, 20, 25 and 30 years at OWASA. The following employees received service awards:

10 Years: Jason Blake and Stephen Winters*

15 Years: Beth Canada, Sherry Edwards, Monica Dodson* and Kenneth Loflin*

20 Years: Miriam Crutchfield and Alex Braxton

25 Years: Mary Darr*

30 Years: Sandra Bradshaw

*These employees attended the meeting and were recognized by their supervisors. Board Members also extended their appreciation to employees with service milestones.

Ed Kerwin announced that on October 19, 2019, OWASA participated in the Town of Carrboro Citizen's Academy and Chapel Hill's Peoples Academy.

Bruce Runberg commended OWASA for holding a veteran's luncheon for OWASA military veteran employees on November 11, 2019.

Petitions and Requests:

Ray DuBose asked for petitions and requests from the public, Board and staff; there were none.

Item One: 12 Month Board Meeting Schedule

The Board accepted this as an information item.

Item Two: Minutes

John Morris made a motion to approve the Minutes of the October 10, 2019 Closed Session of the Board of Directors for the purpose of discussing a personnel matter; second by Bruce Boehm and unanimously approved. Please see Motion 1.

Item Three: Adopt Series Resolutions for Series 2019 Revenue Bonds and Series 2020 Revenue Refunding Bonds

John Morris made a motion to approve the Series Resolution of the Orange Water and Sewer Authority Relating to the Issuance of Not Exceeding \$20,000,000 Water and Sewer System Revenue Bonds, Series 2019 of Said Authority Pursuant to the Provisions of Section 2.08 of an Amended and Restated Bond Order Adopted by Said Authority on September 13, 2001, as Amended, And Requesting the Local Government Commission of North Carolina to Award Said Bonds at Private Sale; second by Bruce Boehm and unanimously approved. Please see Motion 2.

John Morris made a motion to approve the Series Resolution of the Orange Water and Sewer Authority Relating to the Issuance of Not Exceeding \$11,000,000 Water and Sewer System Revenue Refunding Bonds, Series 2020 of Said Authority Pursuant to the Provisions of Section 2.08 of an Amended and Restated Bond Order Adopted by Said Authority on September 13, 2001, as Amended, and Requesting the Local Government Commission of North Carolina to Award Said Bonds at Private Sale; second by Bruce Boehm and unanimously approved. Please see Motion 3.

Item Four: Care to Share Customer Assistance Day

Linda Low, Communications and Community Relations Officer, provided a presentation on the proposed Care to Share Customer Assistance Day scheduled for November 21, 2019, activities leading up to the event and a new Care to Share logo. Care to Share is OWASA's customer assistance program administered by the Inter-Faith Council for Social Services. All funds raised will go directly to helping families in need pay for water and sewer services.

The Board supported Care to Share Day and approved the new logo. Staff will provide the Board reminders of the scheduled events and a communications “toolkit” will be distributed to the Board and staff to promote the event as well as build awareness.

Item Five: Water Main Break and Water Treatment Plant/Wastewater Treatment Plant Reliability and Risk Assessment Action Plans Progress Report

The Board received and discussed an update on water main break and Water Treatment Plant (WTP) and Wastewater Treatment Plant (WWTP) Reliability and Risk Assessment Action Plans from Todd Taylor, General Manager of Operations, and Mary Darr, Director of Engineering and Planning. The update included significant investments in enhancements to emergency response, communications, training and infrastructure improvements. Specifically highlighting the addition of staff and equipment for valve maintenance in our water distribution system, improvements made in emergency communications, and investments in developing our staff. Several key infrastructure improvements were also discussed including replacing critical drinking water pipes at the WTP, upgrading chemical facilities at both the WTP and WWTP, and rehabilitating concrete in a treatment structure at the WWTP.

The Board requested Capital Improvements Program projects addressing resiliency be noted.

Item Six: Administration of Strategic Plan: Annual Review and Update of Strategic Trends and Utility Planning Issues and Strategic Plan Progress Report

Ruth Rouse, Planning and Development Manager, provided an update on strategic trends and utility planning issues and annual report on progress in implementing OWASA’s Strategic Plan. Staff reported that based on current demands and projections, we have sufficient raw water supply for the next few decades under most conditions; there is no anticipated need to expand capacity of our treatment plants for several decades; and continued investment in renewal and replacement of infrastructure is needed to ensure reliable and high-quality service.

The Board expressed appreciation to staff for the comprehensive report and agreed to begin planning for the new strategic plan in fiscal year 2021.

Item Seven: Financial Report for the Three-Month Period Ended September 30, 2019

Stephen Winters, Director of Finance and Customer Service, provided a review of the Financial Report for the three-month period ended September 30, 2019. He reported that all financial performance measurements were met for the period except for meeting the target balance in the working capital reserve; the reserve is expected to be restored in the second quarter when OWASA receives proceeds from loans from the State of North Carolina and the Series 2019 water and sewer revenue bonds.

Item Eight: Executive Director’s Summary of Key Staff Action Items from the Work Session

Ed Kerwin noted the following items for staff follow-up:

- Implement activities for Care to Share Day, November 21, 2019. Provide Board a Care to Share communications “toolkit” and remind Board Members of scheduled activities.
- Consider Board Member comments on our risk and reliability action plans.
- Proceed with planning for new strategic plan to begin next fiscal year.
- The Board’s November 14, 2019 Work Session agenda items include:
 - o Long-Range Water Supply Plan Update on Schedule and Process; and
 - o Discuss Key Focus Areas for OWASA’s Executive Director.

The Board meeting was adjourned at 9:01 p.m.

Respectfully submitted by:



Andrea Orbich

Executive Assistant/Clerk to the Board

Attachments

SERIES RESOLUTION OF THE ORANGE WATER AND SEWER AUTHORITY RELATING TO THE ISSUANCE OF NOT EXCEEDING \$20,000,000 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2019 OF SAID AUTHORITY PURSUANT TO THE PROVISIONS OF SECTION 2.08 OF AN AMENDED AND RESTATED BOND ORDER ADOPTED BY SAID AUTHORITY ON SEPTEMBER 13, 2001, AS AMENDED, AND REQUESTING THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA TO AWARD SAID BONDS AT PRIVATE SALE

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

WHEREAS, OWASA has heretofore issued (a) \$21,645,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2010, which are currently outstanding in the principal amount of \$12,185,000, (b) \$15,695,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2014, which are currently outstanding in the principal amount of \$13,375,000, and (c) \$8,995,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2015, which are currently outstanding in the principal amount of \$1,420,000, and (d) \$18,075,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2018, all of which are currently outstanding, pursuant to the Act and an amended and restated bond order adopted on September 13, 2001, as amended by a supplemental order adopted on October 28, 2010 (the Amended and Restated Bond Order, and any orders supplemental thereto and amendatory thereof, being hereinafter referred to as the “Order”); and

WHEREAS, Section 2.08 of the Order authorizes the issuance of additional revenue bonds of OWASA in one or more series from time to time for the purpose of providing funds for paying, with any other available funds, all or any part of the Cost of any Additional Project (as defined in the Order) and all or any part of completing payment of the Cost of the Project (as defined in the Order) and any Additional Project; and

WHEREAS, OWASA has determined that it is necessary to acquire and construct a certain Additional Project which is described in Appendix A to this Series Resolution (the “2019 Project”), which constitutes an Additional Project under the Order, and to pay a portion of the cost of the 2019 Project by issuing an additional series of revenue bonds and using any other available funds as authorized by Section 2.08 of the Order; and

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

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

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

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

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

“Bond Year” means the period commencing on June 1 of any year and ending on May 31 of the following year.

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

“Closing” means the delivery of and payment for the Series 2019 Bonds.

“Closing Date” means the date of the Closing.

“Electronic Means” means the following communication methods: e-mail; facsimile transmission; secure electronic transmission containing applicable authorization codes; passwords and/or authentication keys; or another method or system specified by the Trustee as available for use in connection with its services as Trustee under this Series Resolution.

“Interest Payment Date” means June 1, 2020, and each December 1 and June 1 thereafter, to and including the final maturity date of the Series 2019 Bonds.

“MSRB” means the Municipal Securities Rulemaking Board.

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

“Securities Depository” means The Depository Trust Company, New York, New York, or other recognized securities depository selected by OWASA, which maintains a book-entry system in respect of the Series 2019 Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by the Bond Registrar the Series 2019 Bond certificates to be delivered to such Securities Depository or its custodian

during the continuation with such Securities Depository of participation in its book-entry system.

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

“Series 2019 Additional Project Account” means the account in the Construction Fund created and so designated by Section 5 of this Series Resolution.

“Series 2019 Bonds” means OWASA’s Water and Sewer System Revenue Bonds, Series 2019.

“Series 2019 Subaccount of the Interest Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2019 Subaccount of the Principal Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2019 Subaccount of the Redemption Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2019 Subaccount of the Sinking Fund Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Sinking Fund Requirement” means, with respect to the Series 2019 Bonds that are Term Bonds, if any, for any Bond Year, the principal amount fixed or computed for retirement by purchase or redemption on or prior to June 1 of the following Bond Year.

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

The aggregate amount of such Sinking Fund Requirements for the Term Bonds, together with the amount due upon the final maturity of such Term Bonds, shall be equal to the aggregate principal amount of the Term Bonds. The Sinking Fund Requirements for the Term Bonds shall begin in the Bond Year determined as provided in the Series Certificate and shall end with the Bond Year immediately preceding the maturity of such Term Bonds (such final installment being payable at maturity and not redeemed). Any principal amount of Term Bonds retired by operation of the Series 2019 Subaccount of the Sinking Fund Account by purchase in excess of the total amount of the Sinking Fund Requirement for such Term Bonds, to and including such June 1, shall be credited against and reduce the future Sinking Fund Requirements for such Term Bonds in such manner as shall be specified in an Officer’s Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

On or before the 45th day next preceding any June 1 on which Term Bonds are to be retired pursuant to the Sinking Fund Requirement, OWASA may deliver to the Trustee for cancellation Term Bonds required to be redeemed on such June 1 in any aggregate principal amount desired and receive a credit against amounts required to be transferred from the Series 2019 Subaccount of the Sinking Fund Account on account of such Term Bonds in the amount of

100% of the principal amount of any such Term Bonds so purchased. Any principal amount of Term Bonds purchased by the Trustee and cancelled in excess of the principal amount required to be redeemed on such June 1, shall be credited against and reduce the principal amount of future Sinking Fund Requirements in such manner as shall be specified in an Officer's Certificate in substantially the form of the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

It shall be the duty of the Trustee, on or before the 15th day of July in each Bond Year, to recompute, if necessary, the Sinking Fund Requirement for such Bond Year and all subsequent Bond Years for the Term Bonds Outstanding based on the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution. The Sinking Fund Requirement for such Bond Year as so recomputed shall continue to be applicable during the balance of such Bond Year and no adjustment shall be made therein by reason of Term Bonds purchased or redeemed or called for redemption during such Bond Year.

If any Term Bonds are paid or redeemed by operation of the Series 2019 Subaccount of the Redemption Account, the Trustee shall reduce future Sinking Fund Requirements therefor in such manner as shall be specified in an Officer's Certificate in substantially the form of the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

Section 2. Authorization of the Series 2019 Bonds Pursuant to the Order. (A) Series 2019 Bonds. Pursuant to the Act and Section 2.08 of the Order, OWASA hereby authorizes the issuance of revenue bonds of OWASA, designated "Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2019" (the "Series 2019 Bonds") in an aggregate principal amount not exceeding \$20,000,000, for the purpose of providing funds, together with any other available funds, to (1) pay of the Cost of the 2019 Project and (2) pay certain fees and expenses incurred in connection with the sale and issuance of the Series 2019 Bonds. Each Series 2019 Bond shall be dated the date of its delivery.

(B) Bond Provisions. The Series 2019 Bonds may consist of Serial Bonds and Term Bonds, shall bear interest at the rates, and shall mature, subject to any optional and mandatory sinking fund redemption, in the amounts and on the dates, all as hereinafter provided.

(C) Details; Interest Payment Dates. The Series 2019 Bonds shall be numbered consecutively from 2019-1 upward, shall be in the denomination of five thousand dollars (\$5,000) and integral multiples thereof and shall be registered and exchangeable, and the transfer thereof may be registered, all in accordance with the provisions of the Order. Interest on the Series 2019 Bonds shall be payable semiannually on each June 1 and December 1, commencing on June 1, 2020, until the maturity thereof.

(D) Book-Entry. The Series 2019 Bonds shall be issued by means of a book-entry system with no physical distribution of bond certificates to be made except as hereinafter provided. One bond certificate with respect to each date on which the Series 2019 Bonds are stated to mature, in the aggregate principal amount of the Series 2019 Bonds stated to mature on such date and registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), will be issued and required to be deposited with DTC or its custodian. The book-entry system will evidence ownership of the Series 2019 Bonds in the principal amount of

\$5,000 or any multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and any redemption premium on each Series 2019 Bond and interest with respect thereto shall be payable to Cede & Co., or any other person appearing on the registration books maintained by the Bond Registrar, as the registered owner of such Series 2019 Bond or its registered assigns or legal representatives. Transfer of principal, interest and any redemption premium payments to participants of DTC will be the responsibility of DTC, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2019 Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. OWASA, the Bond Registrar and the Trustee shall not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as Securities Depository for the Series 2019 Bonds or (b) OWASA determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2019 Bonds would adversely affect the interests of the beneficial owners of the Series 2019 Bonds, OWASA shall discontinue the book-entry system with DTC. If OWASA identifies another qualified Securities Depository to replace DTC, OWASA shall make arrangements with DTC and such other Securities Depository to effect such replacement and deliver replacement Series 2019 Bonds registered in the name of such other Securities Depository or its Securities Depository Nominee in exchange for the outstanding Series 2019 Bonds, and the references to DTC or Cede & Co. in this Series Resolution shall thereupon be deemed to mean such other Securities Depository or its Securities Depository Nominee. If OWASA fails to identify another qualified Securities Depository to replace DTC, OWASA shall deliver replacement Series 2019 Bonds in the form of fully registered certificates in the denomination of \$5,000 or any multiple thereof in exchange for the outstanding Series 2019 Bonds as required by DTC. The transferor shall, in connection with any transfer of Series 2019 Bonds outside the book-entry system, including, but not limited to, on or prior to the initial transfer of Series 2019 Bonds outside the book-entry system, provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Code. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(E) Bond Registrar. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Bond Registrar for the Series 2019 Bonds.

Section 3. Delegation and Standards. OWASA hereby delegates to the Chair, the Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA, subject to the limitations contained herein, the power to determine and carry out the following with respect to the Series 2019 Bonds:

(A) Principal Amount. To determine the aggregate principal amount of the Series 2019 Bonds, such principal amount, not to exceed \$20,000,000, to be sufficient for the purposes described in Section 2(A) of this Series Resolution;

(B) Interest Rates. To determine the interest rate or rates on the Series 2019 Bonds, no such rate to exceed five percent (5.00%) per annum;

(C) Maturities and Maturity Amounts. To determine the maturities and maturity amounts of the Series 2019 Bonds, no such maturity to extend beyond June 1, 2044;

(D) Serial and Term Bonds. To determine which Series 2019 Bonds are Serial Bonds, if any, and which Series 2019 Bonds are Term Bonds, if any, and the Sinking Fund Requirements for any such Term Bonds;

(E) Redemption Provisions. To determine the optional redemption provisions for the Series 2019 Bonds; provided, however, that the Series 2019 Bonds shall be made callable not later than 10 ½ years from their date and that the redemption price shall not exceed 103% of the face amount of the Series 2019 Bonds to be redeemed;

(F) Date of Sale. To determine the date of the sale of the Series 2019 Bonds;

(G) Negotiated Sale. To approve the sale of the Series 2019 Bonds in a negotiated sale in accordance with the provisions of Section 15 of this Series Resolution; provided, however, that the true interest cost for the Series 2019 Bonds shall not exceed four percent (4.00%) per annum and, provided further, that the price for the Series 2019 Bonds shall not be less than ninety-nine percent (99.00%) of the par amount of the Series 2019 Bonds, less the amount of original issue discount, if any, plus the amount of original issue premium on the Series 2019 Bonds, if any; and

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

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

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

(a) Series 2019 Subaccount of the Interest Account;

(b) Series 2019 Subaccount of the Principal Account;

(c) Series 2019 Subaccount of the Redemption Account;

(d) Series 2019 Subaccount of the Sinking Fund Account; and

(e) Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2019 Additional Project Account.

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

Section 6. Sinking Fund Redemption Provisions for the Series 2019 Bonds. The Series 2019 Bonds that are Term Bonds, if any, shall be subject to mandatory redemption in part on each June 1, as specified in the Series Certificate required by Section 4 of this Series Resolution.

Money held in the Series 2019 Subaccount of the Sinking Fund Account shall be applied during each Bond Year to the purchase or retirement of Term Bonds then Outstanding as follows:

(a) The Trustee shall, at the written request of OWASA, endeavor to purchase and cancel Term Bonds or portions thereof subject to redemption by operation of the Series 2019 Subaccount of the Sinking Fund Account or maturing on the next ensuing June 1 at the most advantageous price obtainable with reasonable diligence. The purchase price of each such Term Bond shall not exceed par plus accrued interest to the date of purchase. The Trustee shall pay the interest accrued on such Term Bonds to the date of settlement therefor from the Series 2019 Subaccount of the Interest Account or other funds provided by OWASA and the balance of the purchase price from the Series 2019 Subaccount of the Sinking Fund Account, but no such purchase shall be made by the Trustee from money in the Series 2019 Subaccount of the Sinking Fund Account within the period of forty-five (45) days immediately preceding any June 1 on which such Term Bonds are subject to redemption. The aggregate purchase price of Term Bonds, exclusive of accrued interest, during such Bond Year shall not exceed the amount deposited in the Series 2019 Subaccount of the Sinking Fund Account on account of the Sinking Fund Requirement for the Term Bonds for such Bond Year. If in any Bond Year the sum of the amount on deposit in the Series 2019 Subaccount of the Sinking Fund Account for the payment of any Term Bonds and the principal amount of the Term Bonds that were purchased during such Bond Year pursuant to the provisions of this paragraph (a) or delivered during such Bond Year to the Trustee by OWASA exceeds the Sinking Fund Requirement for the Outstanding Term Bonds for such Bond Year, the Trustee shall endeavor to purchase Outstanding Term Bonds with such excess money; and

(b) The Trustee shall call for redemption on June 1 immediately following the then current Bond Year the Term Bonds then subject to redemption in a principal amount equal to the aggregate Sinking Fund Requirement for the Term Bonds for such Bond Year, less the principal amount of any such Term Bonds retired during such Bond Year by purchase pursuant to paragraph (a) of this Section or delivered during such Bond Year to the Trustee by OWASA. If such June 1 is the stated maturity date of any such Term Bonds, the Trustee shall not call such Term Bonds for redemption but, on such maturity date, shall withdraw from the Sinking Fund Account and, not later than 10:00 A.M. on such date, remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the amount required for paying the principal of such Term Bonds when due and payable. Not later than 10:00 A.M. on each such redemption date, the Trustee shall withdraw from the Series 2019 Subaccount of the Sinking Fund Account and remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the respective amounts required for paying the Redemption Price of the Term Bonds or portions thereof so called for redemption.

If, in any Bond Year, by the application of money in the Series 2019 Subaccount of the Sinking Fund Account, the Trustee should purchase or receive from OWASA and cancel Term Bonds in excess of the aggregate Sinking Fund Requirement for such Bond Year, the Trustee shall file with OWASA not later than the twentieth (20th) day prior to the next June 1 on which Term Bonds are to be redeemed, a statement identifying the Term Bonds purchased or delivered during such Bond Year and the amount of such excess. OWASA shall thereafter cause an Officer's Certificate to be filed with the Trustee not later than the tenth (10th) day prior to such June 1, setting forth with respect to the amount of such excess the Bond Years in which the Sinking Fund Requirements with respect to Term Bonds are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

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

Section 7. Selection of Series 2019 Bonds for Redemption. The Series 2019 Bonds shall be redeemed only in whole multiples of five thousand dollars (\$5,000). If less than all of the Series 2019 Bonds are to be called for redemption, the Series 2019 Bonds to be so redeemed shall be called for redemption in the manner that OWASA shall determine as set forth in an Officer's Certificate filed with the Trustee.

If less than all of the Series 2019 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2019 Bonds to be redeemed by lot, each five thousand dollar (\$5,000) portion of principal being counted as one Series 2019 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2019 Bonds is a Securities Depository Nominee, such selection shall be made by the Securities Depository.

Section 8. Redemption Notice. Not less than thirty (30) days but not more than sixty (60) days prior to the redemption date of any Series 2019 Bonds to be redeemed, whether such redemption be in whole or in part, the Bond Registrar shall cause a notice of any such redemption signed by the Bond Registrar to be mailed, first class, postage prepaid, to all Owners of Series 2019 Bonds to be redeemed in whole or in part, provided that notice to any Securities Depository shall be sent by Electronic Means if so required or requested by such Securities Depository and provided further that failure to give any such notice to any Owner or any defect in such notice shall not affect the validity of the proceedings for such redemption as to the Series 2019 Bonds of any other Owner to whom such notice has been properly given. Not less than thirty (30) days prior to the date of redemption, the Bond Registrar shall also give such notice of redemption to (A) the MSRB through its Electronic Municipal Market Access (EMMA) system, and (B) the North Carolina Local Government Commission by first class mail, postage prepaid, but failure to give such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2019 Bonds. Notwithstanding anything to the contrary herein, OWASA acknowledges and agrees that the Bond Registrar is not acting as the disclosure/dissemination agent for purposes of Rule 15c2-12 (as defined herein) in connection

with any notice required to be posted with the MSRB via its Electronic Municipal Marketplace Access (EMMA) system.

Each such notice shall set forth the designation and date of the Series 2019 Bonds, the CUSIP numbers of the Series 2019 Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the address and phone number of the Trustee and Bond Registrar, the date of the redemption notice, the maturities of the Series 2019 Bonds to be redeemed and, if less than all of the Series 2019 Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2019 Bonds to be redeemed and, in the case of Series 2019 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2019 Bond is to be redeemed in part only, the notice of redemption shall also state also that on or after the redemption date, upon surrender of such Series 2019 Bond, a new Series 2019 Bond in principal amount equal to the unredeemed portion of such Series 2019 Bond will be issued.

Any notice of redemption (other than a notice given with respect to a mandatory sinking fund redemption) may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar, on or prior to the redemption date, of moneys sufficient to pay the Redemption Price of and interest on the Series 2019 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2019 Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the Redemption Price of and interest on such Series 2019 Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 9. Series 2019 Subaccount of the Redemption Account. The Trustee shall apply money in the Series 2019 Subaccount of the Redemption Account to the purchase or redemption of Series 2019 Bonds as follows:

(a) Subject to the provisions of paragraph (c) of this Section, upon the written request of OWASA, the Trustee shall endeavor to purchase and cancel Series 2019 Bonds or portions thereof, regardless of whether such Series 2019 Bonds or portions thereof are then subject to redemption, at the most advantageous price obtainable with reasonable diligence, provided that the purchase price of each Series 2019 Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such Series 2019 Bond under the provisions of the Series Certificate. The Trustee shall pay the interest accrued on such Series 2019 Bonds or portions thereof to the date of settlement from the Series 2019 Subaccount of the Interest Account or other funds provided by OWASA and the balance of the purchase price from the Series 2019 Subaccount of the Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2019 Subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Series 2019 Bonds or portions thereof are to be redeemed.

(b) Subject to the provisions of paragraph (c) of this Section, the Trustee shall call for redemption on a date permitted by this Series Resolution and the Series Certificate such amount of Series 2019 Bonds or portions thereof as, with the redemption premium, if any, will exhaust

the money then held in the Series 2019 Subaccount of the Redemption Account as nearly as may be practicable; provided, however, that not less than Fifty Thousand Dollars (\$50,000) in principal amount of the Series 2019 Bonds shall be called for redemption at any one time unless the Trustee is so instructed in writing by OWASA. The Trustee shall pay the accrued interest on the Series 2019 Bonds or portions thereof to be redeemed to the date of redemption from the Series 2019 Subaccount of the Interest Account or other funds provided by OWASA and the Redemption Price of such Series 2019 Bonds or portions thereof from the Series 2019 Subaccount of the Redemption Account. The Trustee shall withdraw from the Series 2019 Subaccount of the Redemption Account and set aside the amount required to pay the Redemption Price of the Series 2019 Bonds or portions thereof so called for redemption.

(c) Money in the Series 2019 Subaccount of the Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Series 2019 Bonds then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee designating the Series 2019 Bonds to be redeemed. In the event no such certificate is filed (i) the Trustee shall apply such money to the purchase of Series 2019 Bonds bearing the highest rate of interest, (ii) if Series 2019 Bonds of more than one maturity bear the same interest rate, the Trustee shall redeem such Series 2019 Bonds in the inverse order of maturities, and (iii) if the Series 2019 Bonds bearing the highest rate of interest are Term Bonds, the Trustee shall reduce the Sinking Fund Requirements for such Term Bonds in inverse order of the scheduled redemption of such Term Bonds.

Upon the retirement of any Series 2019 Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with OWASA a statement identifying such Series 2019 Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses incurred by the Trustee in connection with the purchase or redemption of any such Series 2019 Bonds shall be paid by OWASA from the Revenue Account as Current Expenses or from any other available moneys.

Section 10. Form of Series 2019 Bond. The Series 2019 Bonds and the Certificate of the North Carolina Local Government Commission and the Certificate of Authentication to be endorsed on all the Series 2019 Bonds shall be substantially in the following forms, with such variations, omissions and insertions as are required or permitted by the Order or this Series Resolution:

[Form of Series 2019 Bond]

No. R2019-__

\$ _____

United States of America
State of North Carolina

ORANGE WATER AND SEWER AUTHORITY

Water and Sewer System Revenue Bond,
Series 2019

<u>Maturity Date</u>	<u>Dated Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
June 1, 20__	_____, 2019	____%	_____

Principal Amount: _____ DOLLARS (\$ _____)

Registered Owner:

The Orange Water and Sewer Authority (the "Authority"), a public body and body politic and corporate of the State of North Carolina, is justly indebted and for value received hereby promises to pay, solely from the sources and in the manner hereinafter set forth, to the Registered Owner shown above or registered assigns or legal representative, on the maturity date specified above (or earlier as stated hereinafter), upon the presentation and surrender hereof at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., in East Syracuse, New York, or any successor bond registrar (the "Bond Registrar"), the principal amount shown above, and to pay, solely from such sources, to the person in whose name this bond (or one or more Predecessor Bonds, as defined in the Order hereinafter mentioned) is registered at the close of business on the regular record date for such interest, which shall be the 15th day of the calendar month next preceding an interest payment date (the "Regular Record Date"), interest on this bond from the interest payment date next preceding the date on which it is authenticated, unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or it is authenticated prior to June 1, 2020, in which event it shall bear interest from its date, payable on June 1, 2020 and semiannually thereafter on December 1 and June 1 of each year, at the rate per annum specified above until the principal sum hereof is paid. Any such interest not so punctually paid shall forthwith cease to be payable to the person who was the registered owner on such Regular Record Date and may be paid to the person in whose name this bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date, as defined in the Order, for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given to registered owners not more than fifteen (15) days and not less than ten (10) days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of applicable law or any securities exchange on which the bonds may be listed and upon such notice as may be required by such law or exchange, all as more fully provided in the Order. All such payments shall be made in the lawful money of the United States of America.

This bond is one of a duly authorized series of revenue bonds of the Authority, designated “Orange Water and Sewer Authority Water and Sewer System Revenue Bonds, Series 2019” (the “Series 2019 Bonds”), and issued for the purpose of providing funds, together with any other available funds, to (i) pay the cost of the 2019 Project (as defined in the hereinafter-defined Series Resolution) and (ii) pay certain fees and expenses incurred in connection with the sale and issuance of the Series 2019 Bonds.

The Series 2019 Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Series Resolution. One Series 2019 Bond certificate with respect to each date on which the Series 2019 Bonds are stated to mature, registered in the name of the Securities Depository Nominee (as defined in the Series Resolution), is being issued and required to be deposited with the Securities Depository (as defined in the Series Resolution) or its custodian. The book-entry system will evidence positions held in the Series 2019 Bonds by the Securities Depository’s participants, beneficial ownership of the Series 2019 Bonds in the principal amount of \$5,000 or any integral multiple thereof being evidenced in the records of such participants. Transfers of ownership will be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Authority, the Bond Registrar and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Series 2019 Bond, as the owner of this Series 2019 Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Series 2019 Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2019 Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Authority, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, the Securities Depository's participants or persons acting through such participants. While the Securities Depository Nominee is the registered owner of this Series 2019 Bond, notwithstanding the provisions hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Series 2019 Bond shall be made in accordance with existing arrangements between the Bond Registrar or its successors under the Series Resolution and the Securities Depository.

The Series 2019 Bonds are being issued under and pursuant to the Constitution and laws of the State of North Carolina, including the North Carolina Water and Sewer Authorities Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively, the “Act”), an amended and restated bond order duly adopted by the Authority on September 13, 2001, as amended by a supplemental order adopted by the Authority on October 28, 2010 (said amended and restated bond order, together with all orders supplemental and amendatory thereto as therein permitted, being herein called the “Order”) and a series resolution duly adopted by the Authority on October 24, 2019 (the “Series Resolution”). The Authority has heretofore issued and secured under the Order, \$21,645,000 original aggregate principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2010, which are currently outstanding in the principal amount of \$12,185,000 (the “Series 2010 Bonds”), \$15,695,000 original aggregate

principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2014, which are currently outstanding in the principal amount of \$13,375,000 (the “Series 2014 Bonds”), \$8,995,000 original aggregate principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2015, which are currently outstanding in the principal amount of \$1,420,000 (the “Series 2015 Bonds”) and \$18,075,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2018, all of which are currently outstanding (the “Series 2018 Bonds”). The Order provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds to provide funds for paying all or any part of the cost of any Additional Project (as defined in the Order), to provide funds for completing payment of the cost of the Project (as defined in the Order) and any Additional Project, and to provide funds to pay the cost (including financing costs) of refunding any bonds issued under the Order, Parity Debt (as defined in the Order) or Subordinated Indebtedness (as defined in the Order) (such additional bonds, the Series 2019 Bonds, the Series 2018 Bonds, the Series 2015 Bonds, the Series 2014 Bonds and the Series 2010 Bonds being herein collectively called the “Bonds”). Copies of the Order and the Series Resolution are on file at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) in Jacksonville, Florida. By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Order and the Series Resolution.

The Series 2019 Bonds are special obligations of the Authority secured by a pledge, charge and lien upon Net Receipts (as defined in the Order). The Authority is not obligated to pay the principal of or the interest on the Series 2019 Bonds except, as provided in the Order, from Net Receipts or certain other monies made available therefor under the Order, and neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof or the Authority is pledged to the payment of the principal of and the interest on the Series 2019 Bonds. The Order provides for the issuance or incurrence from time to time under the conditions, limitations and restrictions therein set forth of Bonds and Parity Debt (as defined in the Order) secured on a parity as to the pledge of Net Receipts.

Reference is made to the Order and the Series Resolution for a more complete statement of the provisions thereof and of the rights of the Authority, the Trustee and the registered owners of the Series 2019 Bonds.

The Order provides for the creation of a special fund designated “Orange Water and Sewer Authority Water and Sewer System Revenue Bonds Bond Fund” (the “Bond Fund”). Pursuant to the Series Resolution, special subaccounts have been created within the various accounts of the Bond Fund with respect to the Series 2019 Bonds (the “Subaccounts”), which Subaccounts are pledged to and charged with the payment of the principal of and the interest on the Series 2019 Bonds. The Series Resolution also provides for the deposit of Net Receipts to the credit of the Subaccounts to the extent and in the manner provided in the Order and the Series Resolution.

The Series 2019 Bonds are issuable as registered bonds without coupons, in denominations of \$5,000 or any integral multiple thereof. At the designated corporate trust office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Order, Series 2019 Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity, of authorized denominations and bearing interest at the same rate.

The transfer of this bond is registrable by the registered owner hereof in person or by his attorney or legal representative at the designated corporate trust office of the Bond Registrar but only in the manner and subject to the limitations and conditions provided in the Order and upon surrender and cancellation of this bond. Upon any such registration of transfer the Authority shall execute and the Bond Registrar shall authenticate and deliver in exchange for this bond a new Series 2019 Bond or Series 2019 Bonds, registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this bond, of the same maturity and bearing interest at the same rate. The Authority or the Bond Registrar may make a charge for every such exchange or registration of transfer of Series 2019 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any registered owner for the privilege of exchanging or registering the transfer of Series 2019 Bonds. Neither the Authority nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Series 2019 Bonds during the fifteen (15) days immediately preceding the date of first giving of notice of any redemption of Series 2019 Bonds or any portion thereof or of any Series 2019 Bond after such Series 2019 Bond or any portion thereof has been selected for redemption.

The Series 2019 Bonds maturing on or after June 1, 20__ are subject to redemption, at the option of the Authority, on or after June 1, 20__, in whole or in part (by lot within a maturity) at any time. Any such redemption will be at the redemption prices (expressed as a percentage of the principal amount of Series 2019 Bonds to be redeemed), plus accrued interest thereon to the redemption date, all as set forth in the following table:

<u>Redemption Periods</u>	<u>Redemption Prices</u>
June 1, 20__ through May 31, 20__	%
June 1, 20__ through May 31, 20__	
June 1, 20__ and thereafter	

The Series 2019 Bonds at the time outstanding that are stated to mature on June 1, 20__ are required to be redeemed in part by lot on June 1, 20__ and on each June 1 thereafter from moneys deposited with the Trustee for such purpose. Such redemption shall be at a redemption price equal to 100% of the principal amount of the Series 2019 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

If less than all of the Series 2019 Bonds are to be called for redemption, the Series 2019 Bonds to be so redeemed shall be called for redemption in the manner that the Authority shall determine as set forth in an Officer's Certificate filed with the Trustee. If less than all of the Series 2019 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2019 Bonds to be redeemed by lot, each \$5,000 portion of principal being counted as one Series 2019 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2019 Bonds is the Securities Depository Nominee, such selection shall be made by the Securities Depository.

Not less than thirty (30) days but not more than sixty (60) days prior to the redemption date of any Series 2019 Bonds, either in whole or in part, the Bond Registrar shall cause a notice

of any such redemption, signed by the Bond Registrar, to be mailed, first-class, postage prepaid, to all registered owners of Series 2019 Bonds or portions of Series 2019 Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Bond Registrar, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption as to any registered owners to whom such notice was given as so required. The Bond Registrar shall also cause a notice of any such redemption to be given to such other parties as provided in the Series Resolution. On the date designated for redemption, notice having been given as aforesaid, the Series 2019 Bonds or portions of Series 2019 Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2019 Bonds or portions thereof on such date, and, if the moneys for payment of the redemption price and the accrued interest are held by the Bond Registrar, as provided in the Order, interest on such Series 2019 Bonds or portions thereof shall cease to accrue, such Series 2019 Bonds or portions thereof shall cease to be entitled to any benefit or security under the Order, and the registered owners thereof shall have no rights in respect of such Series 2019 Bonds or portions thereof except to receive payment of the redemption price thereof and the accrued interest so held by the Bond Registrar. If a portion of this bond shall be called for redemption, a new Series 2019 Bond or Series 2019 Bonds in principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon surrender hereof.

With respect to any notice of redemption of Series 2019 Bonds (other than a notice given with respect to a mandatory sinking fund redemption), such notice may state that such redemption shall be conditional upon the receipt by the Trustee or the Bond Registrar, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of and accrued interest on such Series 2019 Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect and the Authority shall not be required to redeem such Series 2019 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the Orange Water and Sewer Authority has caused this bond to be signed by its Chair and its Secretary-Treasurer and the corporate seal of the Authority to be impressed hereon, all as of the ___ day of _____, 2019.

[Seal]

ORANGE WATER AND SEWER AUTHORITY

By: _____
Chair

By: _____
Secretary-Treasurer

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

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

Secretary, Local Government Commission
of North Carolina

CERTIFICATE OF AUTHENTICATION

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

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

By: _____
Authorized Signatory

Date of authentication: _____

ASSIGNMENT

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

[Please Print or Typewrite Name and Address of Transferee]

the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said Bond on the books kept for registration thereof, with full power of substitution in the premises

Dated: _____

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

Signature Guaranteed:

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

Section 11. Series 2019 Additional Project Account. On the Closing Date, OWASA shall deposit, or cause there to be deposited, the net proceeds of the Series 2019 Bonds to the credit of the Series 2019 Additional Project Account. The Series 2019 Additional Project Account shall be governed by the provisions of Article IV of the Order, and the moneys in the Series 2019 Additional Project Account shall be applied, together with any other available funds, to pay the Cost of the 2019 Project and to pay certain fees and expenses incurred in connection with the sale and issuance of the Series 2019 Bonds.

Section 12. Application of Net Receipts. On or before the dates set forth below, OWASA shall, subject to the provisions of the Order, deposit or cause to be deposited, from Net Receipts held in the Revenue Account, with the Trustee the following amounts, and the Trustee shall apply such amounts to the various subaccounts and account specified in this Series Resolution in the following order:

(a) into the Series 2019 Subaccount of the Interest Account, on the Business Day immediately preceding each Interest Payment Date, an amount equal to the interest payable on the Series 2019 Bonds on such Interest Payment Date;

(b) into the Series 2019 Subaccount of the Principal Account, on the Business Day immediately preceding each June 1, beginning in the year specified in the Series Certificate, an amount equal to the principal of all Series 2019 Bonds that are Serial Bonds, if any, due on such June 1; and

(c) into the Series 2019 Subaccount of the Sinking Fund Account, on the Business Day immediately preceding each June 1, beginning in the year specified in the Series Certificate, the amount required to retire the Series 2019 Bonds that are Term Bonds, if any, to be called by mandatory redemption or to be paid at maturity on such June 1 in accordance with the Sinking Fund Requirement therefor.

In addition, the Trustee shall deposit to the credit of the Series 2019 Subaccount of the Redemption Account all amounts as shall be delivered to the Trustee by OWASA from time to time with instructions that such amounts be so deposited for the redemption of the Series 2019 Bonds.

Section 13. Investment of Money. Money held for the credit of the Series 2019 Additional Project Account and the subaccounts established by this Series Resolution shall be continuously invested and reinvested by the Trustee at the written direction of an Authorized Officer in Investment Obligations to the extent practicable. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such accounts or subaccounts will be required for the purposes intended. No Investment Obligations in any such account or subaccount may mature beyond the latest maturity date of any Series 2019 Bonds Outstanding at the time such Investment Obligations are deposited.

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

<u>Accounts or Subaccounts</u>	<u>Credited to</u>
Series 2019 Additional Project Account	Series 2019 Additional Project Account
All Subaccounts	Respective Subaccounts

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

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

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

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

The Trustee may conclusively rely upon the Authorized Officer's written instructions as to both the suitability and legality of all directed investments. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such investments. In the absence of written investment instructions from the Authorized Officer, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested.

Although OWASA recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, OWASA hereby agrees that broker confirmations of permitted investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

Section 14. Approval of Official Statement. The Preliminary Official Statement, to be dated on or about November 6, 2019, relating to the Series 2019 Bonds (the "Preliminary Official Statement") is hereby approved. OWASA hereby authorizes the use and distribution of the Preliminary Official Statement by Wells Fargo Bank, National Association (the "Underwriter"). OWASA authorizes and consents to the preparation and distribution of a final Official Statement relating to the Series 2019 Bonds (the "Official Statement"), in substantially the form of the Preliminary Official Statement, together with such changes as are necessary to reflect the final terms of the Series 2019 Bonds. The Chair, the Vice-Chair or the Executive Director of OWASA is hereby authorized and directed to execute and deliver the Official Statement, in substantially the form of the Preliminary Official Statement, together with such changes, modifications, insertions and deletions as the Chair, the Vice-Chair or the Executive Director of OWASA, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization in all respects of the form and content thereof.

Section 15. LGC Requested to Award the Series 2019 Bonds. OWASA hereby requests that the Local Government Commission of North Carolina award the Series 2019 Bonds in a negotiated sale without advertisement to the Underwriter, in the amount and at the interest rates fixed pursuant to this Series Resolution, at a purchase price of not less than ninety-nine percent (99.00%) of the par amount of the Series 2019 Bonds, less the amount of any original issue discount, plus the amount of any original issue premium on the Series 2019 Bonds, subject to the approval thereof by the Chair, the Vice-Chair or the Executive Director of OWASA.

Section 16. Approval of Bond Purchase Agreement. OWASA hereby approves the Bond Purchase Agreement relating to the Series 2019 Bonds (the “Bond Purchase Agreement”), in substantially the form of the draft presented at this meeting, and hereby authorizes the Chair, the Vice-Chair or the Executive Director of OWASA to execute the Bond Purchase Agreement, in substantially the form of said draft, together with such changes, modifications, insertions and deletions, as he or she, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by OWASA.

Section 17. Continuing Disclosure. OWASA hereby undertakes, for the benefit of the beneficial owners of the Series 2019 Bonds, to provide:

(A) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, to the MSRB, audited financial statements of OWASA for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of OWASA are not available by seven months from the end of such Fiscal Year, unaudited financial statements of OWASA for such Fiscal Year to be replaced subsequently by audited financial statements of OWASA to be delivered within 15 days after such audited financial statements become available for distribution;

(B) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, to the MSRB, (i) the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the following headings and tables in Appendix A to the Official Statement relating to the Series 2019 Bonds to the extent such items are not included in the financial statements referred to in (A) above:

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

(C) in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Series 2019 Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;

- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2019 Bonds, or other material events affecting the tax status of the Series 2019 Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2019 Bonds, if material;
- (8) bond calls, other than bond calls relating to any mandatory sinking fund redemptions, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of any property securing repayment of the Series 2019 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of OWASA, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for OWASA in a proceeding under Title 11 of the United States Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of OWASA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of OWASA;
- (13) the consummation of a merger, consolidation, or acquisition involving OWASA or the sale of all or substantially all of the assets of OWASA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional Trustee or the change of name of a Trustee, if material;
- (15) incurrence of a financial obligation (as defined below) of OWASA, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of OWASA, any of which affect beneficial owners of the Series 2019 Bonds, if material; and

- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of OWASA, any of which reflect financial difficulties; and

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

For purposes of this Section, “financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”).

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

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

If OWASA fails to comply with the undertaking described above, the Trustee or any beneficial owner of the Series 2019 Bonds then Outstanding may, but the Trustee shall not be required to, take action to protect and enforce the rights of beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that OWASA’s failure to comply with the undertaking will not constitute an event of default under the Bond Order and will not result in any acceleration of payment of the Series 2019 Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of the beneficial owners of the Series 2019 Bonds.

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

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

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

(c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with OWASA (such as bond counsel or the Trustee), or by approving vote of the registered owners of not less than fifty-one percent (51%)

in aggregate principal amount of the Series 2019 Bonds then Outstanding pursuant to the terms of the Order, as it may be amended from time to time.

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

The provisions of this Section shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2019 Bonds.

Section 18. Authorization to OWASA Officials. The officers, agents and employees of OWASA and the officers and agents of the Trustee and the Bond Registrar are hereby authorized and directed to do all acts and things required of them by the provisions of the Series 2019 Bonds, the Order, the Bond Purchase Agreement, this Series Resolution and any other related documents or agreements for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 19. Exclusion From Gross Income Covenant. OWASA covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2019 Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

Section 20. Electronic Communications. The Trustee shall have the right to accept and act upon directions given pursuant to this Series Resolution and delivered using Electronic Means. If OWASA elects to give the Trustee directions using Electronic Means and the Trustee in its discretion elects to act upon such directions, the Trustee's understanding of such directions shall be deemed controlling. OWASA understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer have actually been sent by such Authorized Officer. OWASA shall be responsible for ensuring that only Authorized Officers transmit such directions to the Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with appropriate care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions notwithstanding such directions conflict or are inconsistent with a subsequent written direction. OWASA agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Trustee and that there may be more secure methods of transmitting directions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromised or unauthorized use of the security procedures.

Section 21. Effective Date. This Series Resolution shall take effect immediately upon its adoption. Notwithstanding the foregoing, if the Chair, the Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA shall determine that no Series 2019 Bonds shall be Term Bonds, as specified in the Series Certificate required by Section 4 of this Series Resolution, the terms and provisions of this Series Resolution with respect to Term Bonds and the mandatory redemption of Term Bonds pursuant to the Sinking Fund Requirements therefor shall be of no further force and effect.

Adopted this 24th day of October, 2019.



Raymond E. DuBose
Chair

ATTEST:



Bruce Boehm
Secretary

APPENDIX A

DESCRIPTION OF THE 2019 PROJECT

1. Replacement of water mains (Fordham Service Road, Manning Drive (East), Country Club Road, Barclay Road, Scarlett-Cooper Neighborhood, Foxcroft Drive, Kensington Drive, and Jones Ferry Road);
2. Replacement and rehabilitation of water and wastewater pumping stations (University Lake and Rogerson Drive-Phase 2);
3. Chemical facility improvements and upgrades at the Jones Ferry Road Water Treatment Plant;
4. Replacement of sewer interceptor (Bolinwood Drive); and
5. Improvements to and rehabilitation of facilities and equipment at the Mason Farm Wastewater Treatment Plant.

SERIES RESOLUTION OF THE ORANGE WATER AND SEWER AUTHORITY RELATING TO THE ISSUANCE OF NOT EXCEEDING \$11,000,000 WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2020 OF SAID AUTHORITY PURSUANT TO THE PROVISIONS OF SECTION 2.08 OF AN AMENDED AND RESTATED BOND ORDER ADOPTED BY SAID AUTHORITY ON SEPTEMBER 13, 2001, AS AMENDED, AND REQUESTING THE LOCAL GOVERNMENT COMMISSION OF NORTH CAROLINA TO AWARD SAID BONDS AT PRIVATE SALE

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

WHEREAS, OWASA has heretofore issued (a) \$21,645,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2010, which are currently outstanding in the principal amount of \$12,185,000 (the “Series 2010 Bonds”), (b) \$15,695,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2014, which are currently outstanding in the principal amount of \$13,375,000, and (c) \$8,995,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2015, which are currently outstanding in the principal amount of \$1,420,000, and (d) \$18,075,000 principal amount of its Water and Sewer System Revenue Refunding Bonds, Series 2018, all of which are currently outstanding, pursuant to the Act and an amended and restated bond order adopted on September 13, 2001, as amended by a supplemental order adopted on October 28, 2010 (the Amended and Restated Bond Order, and any orders supplemental thereto and amendatory thereof, being hereinafter referred to as the “Order”); and

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

WHEREAS, OWASA has determined that it is desirable to refund all or a portion of the callable maturities of the outstanding Series 2010 Bonds and to pay the cost of such refunding by issuing an additional series of revenue refunding bonds and using any other available funds as authorized by Section 2.08 of the Order; and

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

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

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

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

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

“Bond Year” means the period commencing on June 1 of any year and ending on May 31 of the following year.

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

“Closing” means the delivery of and payment for the Series 2020 Bonds.

“Closing Date” means the date of the Closing.

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

“Electronic Means” means the following communication methods: e-mail; facsimile transmission; secure electronic transmission containing applicable authorization codes; passwords and/or authentication keys; or another method or system specified by the Trustee as available for use in connection with its services as Trustee under this Series Resolution.

“Interest Payment Date” means June 1, 2020, and each December 1 and June 1 thereafter, to and including the final maturity date of the Series 2020 Bonds.

“MSRB” means the Municipal Securities Rulemaking Board.

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

“Securities Depository” means The Depository Trust Company, New York, New York, or other recognized securities depository selected by OWASA, which maintains a book-entry system in respect of the Series 2020 Bonds, and shall include any substitute for or successor to the securities depository initially acting as Securities Depository.

“Securities Depository Nominee” means, as to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the registration books maintained by the Bond Registrar the Series 2020 Bond certificates to be delivered to such Securities Depository or its custodian during the continuation with such Securities Depository of participation in its book-entry system.

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

“Series 2020 Bonds” means OWASA’s Water and Sewer System Revenue Refunding Bonds, Series 2020.

“Series 2020 Subaccount of the Interest Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2020 Subaccount of the Principal Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2020 Subaccount of the Redemption Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Series 2020 Subaccount of the Sinking Fund Account” means the subaccount created and so designated by Section 5 of this Series Resolution.

“Sinking Fund Requirement” means, with respect to the Series 2020 Bonds that are Term Bonds, if any, for any Bond Year, the principal amount fixed or computed for retirement by purchase or redemption on or prior to June 1 of the following Bond Year.

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

The aggregate amount of such Sinking Fund Requirements for the Term Bonds, together with the amount due upon the final maturity of such Term Bonds, shall be equal to the aggregate principal amount of the Term Bonds. The Sinking Fund Requirements for the Term Bonds shall begin in the Bond Year determined as provided in the Series Certificate and shall end with the Bond Year immediately preceding the maturity of such Term Bonds (such final installment being payable at maturity and not redeemed). Any principal amount of Term Bonds retired by operation of the Series 2020 Subaccount of the Sinking Fund Account by purchase in excess of the total amount of the Sinking Fund Requirement for such Term Bonds, to and including such June 1, shall be credited against and reduce the future Sinking Fund Requirements for such Term Bonds in such manner as shall be specified in an Officer’s Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

On or before the 45th day next preceding any June 1 on which Term Bonds are to be retired pursuant to the Sinking Fund Requirement, OWASA may deliver to the Trustee for cancellation Term Bonds required to be redeemed on such June 1 in any aggregate principal amount desired and receive a credit against amounts required to be transferred from the Series

2020 Subaccount of the Sinking Fund Account on account of such Term Bonds in the amount of 100% of the principal amount of any such Term Bonds so purchased. Any principal amount of Term Bonds purchased by the Trustee and cancelled in excess of the principal amount required to be redeemed on such June 1, shall be credited against and reduce the principal amount of future Sinking Fund Requirements in such manner as shall be specified in an Officer's Certificate in substantially the form of the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

It shall be the duty of the Trustee, on or before the 15th day of July in each Bond Year, to recompute, if necessary, the Sinking Fund Requirement for such Bond Year and all subsequent Bond Years for the Term Bonds Outstanding based on the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution. The Sinking Fund Requirement for such Bond Year as so recomputed shall continue to be applicable during the balance of such Bond Year and no adjustment shall be made therein by reason of Term Bonds purchased or redeemed or called for redemption during such Bond Year.

If any Term Bonds are paid or redeemed by operation of the Series 2020 Subaccount of the Redemption Account, the Trustee shall reduce future Sinking Fund Requirements therefor in such manner as shall be specified in an Officer's Certificate in substantially the form of the Officer's Certificate filed with the Trustee pursuant to Section 6 of this Series Resolution.

Section 2. Authorization of the Series 2020 Bonds Pursuant to the Order. (A) Series 2020 Bonds. Pursuant to the Act and Section 2.08 of the Order, OWASA hereby authorizes the issuance of revenue refunding bonds of OWASA, designated "Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2020" (the "Series 2020 Bonds") in an aggregate principal amount not exceeding \$11,000,000, for the purpose of providing funds, together with any other available funds, to (1) refund all or a portion of the callable maturities of the outstanding Series 2010 Bonds and (2) pay certain fees and expenses incurred in connection with the sale and issuance of the Series 2020 Bonds. Each Series 2020 Bond shall be dated the date of its delivery.

(B) Bond Provisions. The Series 2020 Bonds may consist of Serial Bonds and Term Bonds, shall bear interest at the rates, and shall mature, subject to any optional and mandatory sinking fund redemption, in the amounts and on the dates, all as hereinafter provided.

(C) Details; Interest Payment Dates. The Series 2020 Bonds shall be numbered consecutively from 2020-1 upward, shall be in the denomination of five thousand dollars (\$5,000) and integral multiples thereof and shall be registered and exchangeable, and the transfer thereof may be registered, all in accordance with the provisions of the Order. Interest on the Series 2020 Bonds shall be payable semiannually on each June 1 and December 1, commencing on June 1, 2020, until the maturity thereof.

(D) Book-Entry. The Series 2020 Bonds shall be issued by means of a book-entry system with no physical distribution of bond certificates to be made except as hereinafter provided. One bond certificate with respect to each date on which the Series 2020 Bonds are stated to mature, in the aggregate principal amount of the Series 2020 Bonds stated to mature on such date and registered in the name of Cede & Co., as nominee of The Depository Trust

Company (“DTC”), will be issued and required to be deposited with DTC or its custodian. The book-entry system will evidence ownership of the Series 2020 Bonds in the principal amount of \$5,000 or any multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The principal of and any redemption premium on each Series 2020 Bond and interest with respect thereto shall be payable to Cede & Co., or any other person appearing on the registration books maintained by the Bond Registrar, as the registered owner of such Series 2020 Bond or its registered assigns or legal representatives. Transfer of principal, interest and any redemption premium payments to participants of DTC will be the responsibility of DTC, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2020 Bonds by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. OWASA, the Bond Registrar and the Trustee shall not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as Securities Depository for the Series 2020 Bonds or (b) OWASA determines that continuation of the book-entry system of evidence and transfer of ownership of the Series 2020 Bonds would adversely affect the interests of the beneficial owners of the Series 2020 Bonds, OWASA shall discontinue the book-entry system with DTC. If OWASA identifies another qualified Securities Depository to replace DTC, OWASA shall make arrangements with DTC and such other Securities Depository to effect such replacement and deliver replacement Series 2020 Bonds registered in the name of such other Securities Depository or its Securities Depository Nominee in exchange for the outstanding Series 2020 Bonds, and the references to DTC or Cede & Co. in this Series Resolution shall thereupon be deemed to mean such other Securities Depository or its Securities Depository Nominee. If OWASA fails to identify another qualified Securities Depository to replace DTC, OWASA shall deliver replacement Series 2020 Bonds in the form of fully registered certificates in the denomination of \$5,000 or any multiple thereof in exchange for the outstanding Series 2020 Bonds as required by DTC. The transferor shall, in connection with any transfer of Series 2020 Bonds outside the book-entry system, including, but not limited to, on or prior to the initial transfer of Series 2020 Bonds outside the book-entry system, provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Code. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(E) Bond Registrar. The Bank of New York Mellon Trust Company, N.A. is hereby appointed Bond Registrar for the Series 2020 Bonds.

Section 3. Delegation and Standards. OWASA hereby delegates to the Chair, the Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA, subject to the limitations contained herein, the power to determine and carry out the following with respect to the Series 2020 Bonds:

(A) Principal Amount. To determine the aggregate principal amount of the Series 2020 Bonds, such principal amount, not to exceed \$11,000,000, to be sufficient for the purposes described in Section 2(A) of this Series Resolution;

(B) Interest Rates. To determine the interest rate or rates on the Series 2020 Bonds, no such rate to exceed five percent (5.00%) per annum;

(C) Maturities and Maturity Amounts. To determine the maturities and maturity amounts of the Series 2020 Bonds, no such maturity to extend beyond June 1, 2026;

(D) Serial and Term Bonds. To determine which Series 2020 Bonds are Serial Bonds, if any, and which Series 2020 Bonds are Term Bonds, if any, and the Sinking Fund Requirements for any such Term Bonds;

(E) Redemption Provisions. To determine the optional redemption provisions (if any) for the Series 2020 Bonds; provided, however, that the redemption price shall not exceed 103% of the face amount of the Series 2020 Bonds to be redeemed;

(F) Date of Sale. To determine the date of the sale of the Series 2020 Bonds;

(G) Negotiated Sale. To approve the sale of the Series 2020 Bonds in a negotiated sale in accordance with the provisions of Section 16 of this Series Resolution; provided, however, that the true interest cost for the Series 2020 Bonds shall not exceed four percent (4.00%) per annum and, provided further, that the price for the Series 2020 Bonds shall not be less than ninety-nine percent (99.00%) of the par amount of the Series 2020 Bonds, less the amount of original issue discount, if any, plus the amount of original issue premium on the Series 2020 Bonds, if any;

(H) Series 2010 Bonds to be Refunded. To determine the callable maturities and principal amounts of the Series 2010 Bonds to be refunded with a portion of the proceeds of the Series 2020 Bonds; provided, however, that the net present value savings resulting from such refunding shall be not less than three percent (3.00%) with respect to such Series 2010 Bonds or the portions thereof to be refunded; and

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

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

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

- (a) Series 2020 Subaccount of the Interest Account;
- (b) Series 2020 Subaccount of the Principal Account;
- (c) Series 2020 Subaccount of the Redemption Account;

(d) Series 2020 Subaccount of the Sinking Fund Account; and

(e) Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2020 Costs of Issuance Account.

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

Section 6. Sinking Fund Redemption Provisions for the Series 2020 Bonds. The Series 2020 Bonds that are Term Bonds, if any, shall be subject to mandatory redemption in part on each June 1, as specified in the Series Certificate required by Section 4 of this Series Resolution.

Money held in the Series 2020 Subaccount of the Sinking Fund Account shall be applied during each Bond Year to the purchase or retirement of Term Bonds then Outstanding as follows:

(a) The Trustee shall, at the written request of OWASA, endeavor to purchase and cancel Term Bonds or portions thereof subject to redemption by operation of the Series 2020 Subaccount of the Sinking Fund Account or maturing on the next ensuing June 1 at the most advantageous price obtainable with reasonable diligence. The purchase price of each such Term Bond shall not exceed par plus accrued interest to the date of purchase. The Trustee shall pay the interest accrued on such Term Bonds to the date of settlement therefor from the Series 2020 Subaccount of the Interest Account or other funds provided by OWASA and the balance of the purchase price from the Series 2020 Subaccount of the Sinking Fund Account, but no such purchase shall be made by the Trustee from money in the Series 2020 Subaccount of the Sinking Fund Account within the period of forty-five (45) days immediately preceding any June 1 on which such Term Bonds are subject to redemption. The aggregate purchase price of Term Bonds, exclusive of accrued interest, during such Bond Year shall not exceed the amount deposited in the Series 2020 Subaccount of the Sinking Fund Account on account of the Sinking Fund Requirement for the Term Bonds for such Bond Year. If in any Bond Year the sum of the amount on deposit in the Series 2020 Subaccount of the Sinking Fund Account for the payment of any Term Bonds and the principal amount of the Term Bonds that were purchased during such Bond Year pursuant to the provisions of this paragraph (a) or delivered during such Bond Year to the Trustee by OWASA exceeds the Sinking Fund Requirement for the Outstanding Term Bonds for such Bond Year, the Trustee shall endeavor to purchase Outstanding Term Bonds with such excess money; and

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

each such redemption date, the Trustee shall withdraw from the Series 2020 Subaccount of the Sinking Fund Account and remit by wire transfer to the Bond Registrar, in Federal Reserve or other immediately available funds, the respective amounts required for paying the Redemption Price of the Term Bonds or portions thereof so called for redemption.

If, in any Bond Year, by the application of money in the Series 2020 Subaccount of the Sinking Fund Account, the Trustee should purchase or receive from OWASA and cancel Term Bonds in excess of the aggregate Sinking Fund Requirement for such Bond Year, the Trustee shall file with OWASA not later than the twentieth (20th) day prior to the next June 1 on which Term Bonds are to be redeemed, a statement identifying the Term Bonds purchased or delivered during such Bond Year and the amount of such excess. OWASA shall thereafter cause an Officer's Certificate to be filed with the Trustee not later than the tenth (10th) day prior to such June 1, setting forth with respect to the amount of such excess the Bond Years in which the Sinking Fund Requirements with respect to Term Bonds are to be reduced and the amount by which the Sinking Fund Requirements so determined are to be reduced.

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

Section 7. Selection of Series 2020 Bonds for Redemption. The Series 2020 Bonds shall be redeemed only in whole multiples of five thousand dollars (\$5,000). If less than all of the Series 2020 Bonds are to be called for redemption, the Series 2020 Bonds to be so redeemed shall be called for redemption in the manner that OWASA shall determine as set forth in an Officer's Certificate filed with the Trustee.

If less than all of the Series 2020 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2020 Bonds to be redeemed by lot, each five thousand dollar (\$5,000) portion of principal being counted as one Series 2020 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2020 Bonds is a Securities Depository Nominee, such selection shall be made by the Securities Depository.

Section 8. Redemption Notice. Not less than thirty (30) days but not more than sixty (60) days prior to the redemption date of any Series 2020 Bonds to be redeemed, whether such redemption be in whole or in part, the Bond Registrar shall cause a notice of any such redemption signed by the Bond Registrar to be mailed, first class, postage prepaid, to all Owners of Series 2020 Bonds to be redeemed in whole or in part, provided that notice to any Securities Depository shall be sent by Electronic Means if so required or requested by such Securities Depository and provided further that failure to give any such notice to any Owner or any defect in such notice shall not affect the validity of the proceedings for such redemption as to the Series 2020 Bonds of any other Owner to whom such notice has been properly given. Not less than thirty (30) days prior to the date of redemption, the Bond Registrar shall also give such notice of redemption to (A) the MSRB through its Electronic Municipal Market Access (EMMA) system and (B) the North Carolina Local Government Commission by first class mail, postage prepaid,

but failure to give such notice or any defect therein shall not affect the validity of any proceedings for the redemption of any Series 2020 Bonds. Notwithstanding anything to the contrary herein, OWASA acknowledges and agrees that the Bond Registrar is not acting as the disclosure/dissemination agent for purposes of Rule 15c2-12 (as defined herein) in connection with any notice required to be posted with the MSRB via its Electronic Municipal Marketplace Access (EMMA) system.

Each such notice shall set forth the designation and date of the Series 2020 Bonds, the CUSIP numbers of the Series 2020 Bonds to be redeemed, the date fixed for redemption, the Redemption Price to be paid, the address and phone number of the Trustee and Bond Registrar, the date of the redemption notice, the maturities of the Series 2020 Bonds to be redeemed and, if less than all of the Series 2020 Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of such Series 2020 Bonds to be redeemed and, in the case of Series 2020 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2020 Bond is to be redeemed in part only, the notice of redemption shall also state also that on or after the redemption date, upon surrender of such Series 2020 Bond, a new Series 2020 Bond in principal amount equal to the unredeemed portion of such Series 2020 Bond will be issued.

Any notice of redemption (other than a notice given with respect to a mandatory sinking fund redemption) may state that the redemption to be effected is conditioned upon the receipt by the Trustee or Bond Registrar, on or prior to the redemption date, of moneys sufficient to pay the Redemption Price of and interest on the Series 2020 Bonds to be redeemed and that if such moneys are not so received such notice shall be of no force or effect and such Series 2020 Bonds shall not be required to be redeemed. In the event that such notice contains such a condition and moneys sufficient to pay the Redemption Price of and interest on such Series 2020 Bonds are not received by the Trustee or Bond Registrar on or prior to the redemption date, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 9. Series 2020 Subaccount of the Redemption Account. The Trustee shall apply money in the Series 2020 Subaccount of the Redemption Account to the purchase or redemption of Series 2020 Bonds as follows:

(a) Subject to the provisions of paragraph (c) of this Section, upon the written request of OWASA, the Trustee shall endeavor to purchase and cancel Series 2020 Bonds or portions thereof, regardless of whether such Series 2020 Bonds or portions thereof are then subject to redemption, at the most advantageous price obtainable with reasonable diligence, provided that the purchase price of each Series 2020 Bond shall not exceed the Redemption Price that would be payable on the next redemption date to the Owner of such Series 2020 Bond under the provisions of the Series Certificate. The Trustee shall pay the interest accrued on such Series 2020 Bonds or portions thereof to the date of settlement from the Series 2020 Subaccount of the Interest Account or other funds provided by OWASA and the balance of the purchase price from the Series 2020 Subaccount of the Redemption Account, but no such purchase shall be made by the Trustee from money in the Series 2020 Subaccount of the Redemption Account within the period of forty-five (45) days immediately preceding any date on which such Series 2020 Bonds or portions thereof are to be redeemed.

(b) Subject to the provisions of paragraph (c) of this Section, the Trustee shall call for redemption on a date permitted by this Series Resolution and the Series Certificate such amount of Series 2020 Bonds or portions thereof as, with the redemption premium, if any, will exhaust the money then held in the Series 2020 Subaccount of the Redemption Account as nearly as may be practicable; provided, however, that not less than Fifty Thousand Dollars (\$50,000) in principal amount of the Series 2020 Bonds shall be called for redemption at any one time unless the Trustee is so instructed in writing by OWASA. The Trustee shall pay the accrued interest on the Series 2020 Bonds or portions thereof to be redeemed to the date of redemption from the Series 2020 Subaccount of the Interest Account or other funds provided by OWASA and the Redemption Price of such Series 2020 Bonds or portions thereof from the Series 2020 Subaccount of the Redemption Account. The Trustee shall withdraw from the Series 2020 Subaccount of the Redemption Account and set aside the amount required to pay the Redemption Price of the Series 2020 Bonds or portions thereof so called for redemption.

(c) Money in the Series 2020 Subaccount of the Redemption Account shall be applied by the Trustee in each Fiscal Year to the purchase or the redemption of Series 2020 Bonds then Outstanding in accordance with the latest Officer's Certificate filed with the Trustee designating the Series 2020 Bonds to be redeemed. In the event no such certificate is filed (i) the Trustee shall apply such money to the purchase of Series 2020 Bonds bearing the highest rate of interest, (ii) if Series 2020 Bonds of more than one maturity bear the same interest rate, the Trustee shall redeem such Series 2020 Bonds in the inverse order of maturities, and (iii) if the Series 2020 Bonds bearing the highest rate of interest are Term Bonds, the Trustee shall reduce the Sinking Fund Requirements for such Term Bonds in inverse order of the scheduled redemption of such Term Bonds.

Upon the retirement of any Series 2020 Bonds by purchase or redemption pursuant to the provisions of this Section, the Trustee shall file with OWASA a statement identifying such Series 2020 Bonds and setting forth the date of purchase or redemption, the amount of the purchase price or the Redemption Price of such Bonds and the amount paid as interest thereon. The expenses incurred by the Trustee in connection with the purchase or redemption of any such Series 2020 Bonds shall be paid by OWASA from the Revenue Account as Current Expenses or from any other available moneys.

Section 10. Form of Series 2020 Bond. The Series 2020 Bonds and the Certificate of the North Carolina Local Government Commission and the Certificate of Authentication to be endorsed on all the Series 2020 Bonds shall be substantially in the following forms, with such variations, omissions and insertions as are required or permitted by the Order or this Series Resolution:

[Form of Series 2020 Bond]

No. R2020-__

\$ _____

United States of America
State of North Carolina

ORANGE WATER AND SEWER AUTHORITY

Water and Sewer System Revenue Refunding Bond,
Series 2020

<u>Maturity Date</u>	<u>Dated Date</u>	<u>Interest Rate</u>	<u>CUSIP</u>
June 1, 20__	_____, 2020	____%	_____

Principal Amount: _____ DOLLARS (\$ _____)

Registered Owner:

The Orange Water and Sewer Authority (the "Authority"), a public body and body politic and corporate of the State of North Carolina, is justly indebted and for value received hereby promises to pay, solely from the sources and in the manner hereinafter set forth, to the Registered Owner shown above or registered assigns or legal representative, on the maturity date specified above (or earlier as stated hereinafter), upon the presentation and surrender hereof at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., in East Syracuse, New York, or any successor bond registrar (the "Bond Registrar"), the principal amount shown above, and to pay, solely from such sources, to the person in whose name this bond (or one or more Predecessor Bonds, as defined in the Order hereinafter mentioned) is registered at the close of business on the regular record date for such interest, which shall be the 15th day of the calendar month next preceding an interest payment date (the "Regular Record Date"), interest on this bond from the interest payment date next preceding the date on which it is authenticated, unless it is authenticated on an interest payment date, in which event it shall bear interest from such date, or it is authenticated prior to June 1, 2020, in which event it shall bear interest from its date, payable on June 1, 2020 and semiannually thereafter on December 1 and June 1 of each year, at the rate per annum specified above until the principal sum hereof is paid. Any such interest not so punctually paid shall forthwith cease to be payable to the person who was the registered owner on such Regular Record Date and may be paid to the person in whose name this bond (or one or more Predecessor Bonds) is registered at the close of business on a Special Record Date, as defined in the Order, for the payment of such defaulted interest to be fixed by the Trustee hereinafter mentioned, notice whereof being given to registered owners not more than fifteen (15) days and not less than ten (10) days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of applicable law or any securities exchange on which the bonds may be listed and upon such notice as may be required by such law or exchange, all as more fully provided in the Order. All such payments shall be made in the lawful money of the United States of America.

This bond is one of a duly authorized series of revenue refunding bonds of the Authority, designated “Orange Water and Sewer Authority Water and Sewer System Revenue Refunding Bonds, Series 2020” (the “Series 2020 Bonds”), and issued for the purpose of providing funds, together with any other available funds, to (i) refund a portion of the Authority’s outstanding Water and Sewer System Revenue Refunding Bonds, Series 2010 (the “Series 2010 Bonds”) and (ii) pay certain fees and expenses incurred in connection with the sale and issuance of the Series 2020 Bonds.

The Series 2020 Bonds are being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Series Resolution. One Series 2020 Bond certificate with respect to each date on which the Series 2020 Bonds are stated to mature, registered in the name of the Securities Depository Nominee (as defined in the Series Resolution), is being issued and required to be deposited with the Securities Depository (as defined in the Series Resolution) or its custodian. The book-entry system will evidence positions held in the Series 2020 Bonds by the Securities Depository’s participants, beneficial ownership of the Series 2020 Bonds in the principal amount of \$5,000 or any integral multiple thereof being evidenced in the records of such participants. Transfers of ownership will be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The Authority, the Bond Registrar and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Series 2020 Bond, as the owner of this Series 2020 Bond for all purposes, including (i) payments of principal of, and redemption premium, if any, and interest on, this Series 2020 Bond, (ii) notices and (iii) voting. Transfer of principal, interest and any redemption premium payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal, interest and any redemption premium payments to beneficial owners of the Series 2020 Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The Authority, the Bond Registrar and the Trustee will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, the Securities Depository’s participants or persons acting through such participants. While the Securities Depository Nominee is the registered owner of this Series 2020 Bond, notwithstanding the provisions hereinabove contained, payments of principal of, redemption premium, if any, and interest on this Series 2020 Bond shall be made in accordance with existing arrangements between the Bond Registrar or its successors under the Series Resolution and the Securities Depository.

The Series 2020 Bonds are being issued under and pursuant to the Constitution and laws of the State of North Carolina, including the North Carolina Water and Sewer Authorities Act, as amended, and The State and Local Government Revenue Bond Act, as amended (collectively, the “Act”), an amended and restated bond order duly adopted by the Authority on September 13, 2001, as amended by a supplemental order adopted by the Authority on October 28, 2010 (said amended and restated bond order, together with all orders supplemental and amendatory thereto as therein permitted, being herein called the “Order”) and a series resolution duly adopted by the Authority on October 24, 2019 (the “Series Resolution”). The Authority has heretofore issued and secured under the Order, the Series 2010 Bonds, its Water and Sewer System Revenue Refunding Bonds, Series 2014 (the “Series 2014 Bonds”), its Water and Sewer System Revenue

Refunding Bonds, Series 2015 (the “Series 2015 Bonds”), its Water and Sewer System Revenue Refunding Bonds, Series 2018 (the “Series 2018 Bonds”), and its Water and Sewer System Revenue Bonds, Series 2019 (the “Series 2019 Bonds”). The Order provides for the issuance from time to time under the conditions, limitations and restrictions therein set forth of additional bonds to provide funds for paying all or any part of the cost of any Additional Project (as defined in the Order), to provide funds for completing payment of the cost of the Project (as defined in the Order) and any Additional Project, and to provide funds to pay the cost (including financing costs) of refunding any bonds issued under the Order, Parity Debt (as defined in the Order) or Subordinated Indebtedness (as defined in the Order) (such additional bonds, the Series 2020 Bonds, the Series 2019 Bonds, the Series 2018 Bonds, the Series 2015 Bonds, the Series 2014 Bonds and the unrefunded portion of the Series 2010 Bonds being herein collectively called the “Bonds”). Copies of the Order and the Series Resolution are on file at the corporate trust office of The Bank of New York Mellon Trust Company, N.A. (the “Trustee”) in Jacksonville, Florida. By the acceptance of this bond, the registered owner hereof assents to all of the provisions of the Order and the Series Resolution.

The Series 2020 Bonds are special obligations of the Authority secured by a pledge, charge and lien upon Net Receipts (as defined in the Order). The Authority is not obligated to pay the principal of or the interest on the Series 2020 Bonds except, as provided in the Order, from Net Receipts or certain other monies made available therefor under the Order, and neither the faith and credit nor the taxing power of the State of North Carolina or any political subdivision thereof or the Authority is pledged to the payment of the principal of and the interest on the Series 2020 Bonds. The Order provides for the issuance or incurrence from time to time under the conditions, limitations and restrictions therein set forth of Bonds and Parity Debt (as defined in the Order) secured on a parity as to the pledge of Net Receipts.

Reference is made to the Order and the Series Resolution for a more complete statement of the provisions thereof and of the rights of the Authority, the Trustee and the registered owners of the Series 2020 Bonds.

The Order provides for the creation of a special fund designated “Orange Water and Sewer Authority Water and Sewer System Revenue Bonds Bond Fund” (the “Bond Fund”). Pursuant to the Series Resolution, special subaccounts have been created within the various accounts of the Bond Fund with respect to the Series 2020 Bonds (the “Subaccounts”), which Subaccounts are pledged to and charged with the payment of the principal of and the interest on the Series 2020 Bonds. The Series Resolution also provides for the deposit of Net Receipts to the credit of the Subaccounts to the extent and in the manner provided in the Order and the Series Resolution.

The Series 2020 Bonds are issuable as registered bonds without coupons, in denominations of \$5,000 or any integral multiple thereof. At the designated corporate trust office of the Bond Registrar, in the manner and subject to the limitations and conditions provided in the Order, Series 2020 Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity, of authorized denominations and bearing interest at the same rate.

The transfer of this bond is registrable by the registered owner hereof in person or by his attorney or legal representative at the designated corporate trust office of the Bond Registrar but

only in the manner and subject to the limitations and conditions provided in the Order and upon surrender and cancellation of this bond. Upon any such registration of transfer the Authority shall execute and the Bond Registrar shall authenticate and deliver in exchange for this bond a new Series 2020 Bond or Series 2020 Bonds, registered in the name of the transferee, of authorized denominations, in aggregate principal amount equal to the principal amount of this bond, of the same maturity and bearing interest at the same rate. The Authority or the Bond Registrar may make a charge for every such exchange or registration of transfer of Series 2020 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any registered owner for the privilege of exchanging or registering the transfer of Series 2020 Bonds. Neither the Authority nor the Bond Registrar shall be required to make any such exchange or registration of transfer of Series 2020 Bonds during the fifteen (15) days immediately preceding the date of first giving of notice of any redemption of Series 2020 Bonds or any portion thereof or of any Series 2020 Bond after such Series 2020 Bond or any portion thereof has been selected for redemption.

The Series 2020 Bonds maturing on or after June 1, 20__ are subject to redemption, at the option of the Authority, on or after June 1, 20__, in whole or in part (by lot within a maturity) at any time. Any such redemption will be at the redemption prices (expressed as a percentage of the principal amount of Series 2020 Bonds to be redeemed), plus accrued interest thereon to the redemption date, all as set forth in the following table:

<u>Redemption Periods</u>	<u>Redemption Prices</u>
June 1, 20__ through May 31, 20__	%
June 1, 20__ through May 31, 20__	
June 1, 20__ and thereafter	

The Series 2020 Bonds at the time outstanding that are stated to mature on June 1, 20__ are required to be redeemed in part by lot on June 1, 20__ and on each June 1 thereafter from moneys deposited with the Trustee for such purpose. Such redemption shall be at a redemption price equal to 100% of the principal amount of the Series 2020 Bonds to be redeemed, plus accrued interest thereon to the redemption date.

If less than all of the Series 2020 Bonds are to be called for redemption, the Series 2020 Bonds to be so redeemed shall be called for redemption in the manner that the Authority shall determine as set forth in an Officer's Certificate filed with the Trustee. If less than all of the Series 2020 Bonds of any one maturity are called for redemption, the Bond Registrar shall select the Series 2020 Bonds to be redeemed by lot, each \$5,000 portion of principal being counted as one Series 2020 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2020 Bonds is the Securities Depository Nominee, such selection shall be made by the Securities Depository.

Not less than thirty (30) days but not more than sixty (60) days prior to the redemption date of any Series 2020 Bonds, either in whole or in part, the Bond Registrar shall cause a notice of any such redemption, signed by the Bond Registrar, to be mailed, first-class, postage prepaid, to all registered owners of Series 2020 Bonds or portions of Series 2020 Bonds to be redeemed at

their addresses as they appear on the registration books maintained by the Bond Registrar, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption as to any registered owners to whom such notice was given as so required. The Bond Registrar shall also cause a notice of any such redemption to be given to such other parties as provided in the Series Resolution. On the date designated for redemption, notice having been given as aforesaid, the Series 2020 Bonds or portions of Series 2020 Bonds so called for redemption shall become and be due and payable at the redemption price provided for the redemption of such Series 2020 Bonds or portions thereof on such date, and, if the moneys for payment of the redemption price and the accrued interest are held by the Bond Registrar, as provided in the Order, interest on such Series 2020 Bonds or portions thereof shall cease to accrue, such Series 2020 Bonds or portions thereof shall cease to be entitled to any benefit or security under the Order, and the registered owners thereof shall have no rights in respect of such Series 2020 Bonds or portions thereof except to receive payment of the redemption price thereof and the accrued interest so held by the Bond Registrar. If a portion of this bond shall be called for redemption, a new Series 2020 Bond or Series 2020 Bonds in principal amount equal to the unredeemed portion hereof will be issued to the registered owner upon surrender hereof.

With respect to any notice of redemption of Series 2020 Bonds (other than a notice given with respect to a mandatory sinking fund redemption), such notice may state that such redemption shall be conditional upon the receipt by the Trustee or the Bond Registrar, on or prior to the date fixed for such redemption, of moneys sufficient to pay the redemption price of and accrued interest on such Series 2020 Bonds to be redeemed, and that if such moneys shall not have been so received, said notice shall be of no force and effect and the Authority shall not be required to redeem such Series 2020 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made and the Bond Registrar shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the Orange Water and Sewer Authority has caused this bond to be signed by its Chair and its Secretary-Treasurer and the corporate seal of the Authority to be impressed hereon, all as of the ___ day of _____, 2020.

[Seal]

ORANGE WATER AND SEWER AUTHORITY

By: _____
Chair

By: _____
Secretary-Treasurer

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

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

Secretary, Local Government Commission
of North Carolina

CERTIFICATE OF AUTHENTICATION

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

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

By: _____
Authorized Signatory

Date of authentication: _____

ASSIGNMENT

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

[Please Print or Typewrite Name and Address of Transferee]

the within Bond and all rights thereunder and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of said Bond on the books kept for registration thereof, with full power of substitution in the premises

Dated: _____

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

Signature Guaranteed:

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

Section 11. Costs of Issuance Account. On the Closing Date, there shall be deposited to the Costs of Issuance Account the amount specified in clause (ii) of Section 12 of this Series Resolution. Money shall be disbursed from the Costs of Issuance Account, upon requisition of OWASA, for the purpose of paying the costs of issuance of the Series 2020 Bonds and, pending such disbursement, shall be held solely for the security of the Owners of the Series 2020 Bonds. Any balance remaining on deposit to the credit of the Costs of Issuance Account after the payment of the costs of issuance of the Series 2020 Bonds, as certified to the Trustee by an Authorized Officer of OWASA, shall be applied to such use or uses as shall be set forth in a written statement delivered to the Trustee by OWASA accompanied by an opinion of bond counsel to OWASA addressed to the Trustee to the effect that the proposed use or uses will not cause the interest on the Series 2020 Bonds to be includable in the gross income of the owners thereof for purposes of federal income taxation. In the event OWASA does not deliver an opinion of bond counsel as required by the preceding sentence, the Trustee shall transfer the money in excess of the amount then needed for Costs of Issuance to the Series 2020 Subaccount of the Principal Account and/or the Series 2020 Subaccount of the Sinking Fund Account, as determined by OWASA.

Section 12. Application of Proceeds of the Series 2020 Bonds. On the Closing Date, the Trustee shall apply the net proceeds of the Series 2020 Bonds as follows:

- (i) the amount specified in the Series Certificate shall be deposited to the credit of the Series 2010 Subaccount of the Redemption Account created and so

designated by the Series Resolution for the Series 2010 Bonds and shall be applied to the redemption of the Series 2010 Bonds to be refunded on July 1, 2020; and

(ii) the balance of such proceeds shall be deposited to the credit of the Costs of Issuance Account.

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

(a) into the Series 2020 Subaccount of the Interest Account, on the Business Day immediately preceding each Interest Payment Date, an amount equal to the interest payable on the Series 2020 Bonds on such Interest Payment Date;

(b) into the Series 2020 Subaccount of the Principal Account, on the Business Day immediately preceding each June 1, beginning in the year specified in the Series Certificate, an amount equal to the principal of all Series 2020 Bonds that are Serial Bonds, if any, due on such June 1; and

(c) into the Series 2020 Subaccount of the Sinking Fund Account, on the Business Day immediately preceding each June 1, beginning in the year specified in the Series Certificate, the amount required to retire the Series 2020 Bonds that are Term Bonds, if any, to be called by mandatory redemption or to be paid at maturity on such June 1 in accordance with the Sinking Fund Requirement therefor.

In addition, the Trustee shall deposit to the credit of the Series 2020 Subaccount of the Redemption Account all amounts as shall be delivered to the Trustee by OWASA from time to time with instructions that such amounts be so deposited for the redemption of the Series 2020 Bonds.

Section 14. Investment of Money. Money held for the credit of the Costs of Issuance Account and the subaccounts established by this Series Resolution shall be continuously invested and reinvested by the Trustee at the written direction of an Authorized Officer in Investment Obligations to the extent practicable. Any such Investment Obligations shall mature not later than the respective dates when the money held for the credit of such accounts or subaccounts will be required for the purposes intended. No Investment Obligations in any such account or subaccount may mature beyond the latest maturity date of any Series 2020 Bonds Outstanding at the time such Investment Obligations are deposited.

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

Accounts or Subaccounts

Credited to

Costs of Issuance Account

Costs of Issuance Account

All Subaccounts

Respective Subaccounts

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

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

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

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

The Trustee may conclusively rely upon the Authorized Officer's written instructions as to both the suitability and legality of all directed investments. The Trustee may make any and all such investments through its own investment department or that of its affiliates or subsidiaries, and may charge its ordinary and customary fees for such investments. In the absence of written investment instructions from the Authorized Officer, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested.

Although OWASA recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, OWASA hereby agrees that broker confirmations of permitted investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered by the Trustee.

Section 15. Approval of Official Statement. The Preliminary Official Statement, to be dated on or about November 6, 2019, relating to the Series 2020 Bonds (the "Preliminary Official Statement") is hereby approved. OWASA hereby authorizes the use and distribution of the Preliminary Official Statement by Wells Fargo Bank, National Association (the

“Underwriter”). OWASA authorizes and consents to the preparation and distribution of (i) a final Official Statement relating to the Series 2020 Bonds (the “Official Statement”), in substantially the form of the Preliminary Official Statement, together with such changes as are necessary to reflect the final terms of the Series 2020 Bonds, and (ii) a supplement to the Official Statement (the “Official Statement Supplement”) containing updated information to the Official Statement. The Chair, the Vice-Chair or the Executive Director of OWASA is hereby authorized and directed to execute and deliver the Official Statement and the Official Statement Supplement, in each case with such changes, modifications, insertions and deletions as the Chair, the Vice-Chair or the Executive Director of OWASA, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization in all respects of the form and content thereof.

Section 16. LGC Requested to Award the Series 2020 Bonds. OWASA hereby requests that the Local Government Commission of North Carolina award the Series 2020 Bonds in a negotiated sale without advertisement to the Underwriter, in the amount and at the interest rates fixed pursuant to this Series Resolution, at a purchase price of not less than ninety-nine percent (99.00%) of the par amount of the Series 2020 Bonds, less the amount of any original issue discount, plus the amount of any original issue premium on the Series 2020 Bonds, subject to the approval thereof by the Chair, the Vice-Chair or the Executive Director of OWASA.

Section 17. Approval of Bond Purchase Agreement. OWASA hereby approves the Forward Delivery Bond Purchase Agreement relating to the Series 2020 Bonds (the “Bond Purchase Agreement”), in substantially the form of the draft presented at this meeting, and hereby authorizes the Chair, the Vice-Chair or the Executive Director of OWASA to execute the Bond Purchase Agreement, in substantially the form of said draft, together with such changes, modifications, insertions and deletions, as he or she, with the advice of counsel, may deem necessary and appropriate; such execution and delivery shall be conclusive evidence of the approval and authorization thereof by OWASA.

Section 18. Continuing Disclosure. OWASA hereby undertakes, for the benefit of the beneficial owners of the Series 2020 Bonds, to provide:

(A) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, to the MSRB, audited financial statements of OWASA for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of OWASA are not available by seven months from the end of such Fiscal Year, unaudited financial statements of OWASA for such Fiscal Year to be replaced subsequently by audited financial statements of OWASA to be delivered within 15 days after such audited financial statements become available for distribution;

(B) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2020, to the MSRB, (i) the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the following headings and tables in Appendix A to the Official Statement relating to the Series 2020 Bonds to the extent such items are not included in the financial statements referred to in (A) above:

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

(C) in a timely manner, not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Series 2020 Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on any debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on any credit enhancements reflecting financial difficulties;
- (5) substitution of any credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2020 Bonds, or other material events affecting the tax status of the Series 2020 Bonds;
- (7) modification to the rights of the beneficial owners of the Series 2020 Bonds, if material;
- (8) bond calls, other than bond calls relating to any mandatory sinking fund redemptions, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of any property securing repayment of the Series 2020 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of OWASA, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for OWASA in a proceeding under Title 11 of the United States Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or

business of OWASA, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of OWASA;

- (13) the consummation of a merger, consolidation, or acquisition involving OWASA or the sale of all or substantially all of the assets of OWASA, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional Trustee or the change of name of a Trustee, if material;
- (15) incurrence of a financial obligation (as defined below) of OWASA, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of OWASA, any of which affect beneficial owners of the Series 2020 Bonds, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of OWASA, any of which reflect financial difficulties; and

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

For purposes of this Section, “financial obligation” means (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either clause (a) or (b) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”).

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

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

If OWASA fails to comply with the undertaking described above, the Trustee or any beneficial owner of the Series 2020 Bonds then Outstanding may, but the Trustee shall not be required to, take action to protect and enforce the rights of beneficial owners with respect to such

undertaking, including an action for specific performance; provided, however, that OWASA's failure to comply with the undertaking will not constitute an event of default under the Bond Order and will not result in any acceleration of payment of the Series 2020 Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of the beneficial owners of the Series 2020 Bonds.

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

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

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

(c) any such modification does not materially impair the interests of the beneficial owners, as determined either by parties unaffiliated with OWASA (such as bond counsel or the Trustee), or by approving vote of the registered owners of not less than fifty-one percent (51%) in aggregate principal amount of the Series 2020 Bonds then Outstanding pursuant to the terms of the Order, as it may be amended from time to time.

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

The provisions of this Section shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the Series 2020 Bonds.

Section 19. Authorization to OWASA Officials. The officers, agents and employees of OWASA and the officers and agents of the Trustee and the Bond Registrar are hereby authorized and directed to do all acts and things required of them by the provisions of the Series 2020 Bonds, the Order, this Series Resolution, the Bond Purchase Agreement and any other related documents or agreements for the full, punctual and complete performance of the terms, covenants, provisions and agreements therein.

Section 20. Exclusion From Gross Income Covenant. OWASA covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2020 Bonds to become includable in the gross income of the owners thereof for federal income tax purposes pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

Section 21. Electronic Communications. The Trustee shall have the right to accept and act upon directions given pursuant to this Series Resolution and delivered using Electronic

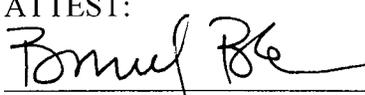
Means. If OWASA elects to give the Trustee directions using Electronic Means and the Trustee in its discretion elects to act upon such directions, the Trustee's understanding of such directions shall be deemed controlling. OWASA understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer have actually been sent by such Authorized Officer. OWASA shall be responsible for ensuring that only Authorized Officers transmit such directions to the Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with appropriate care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions notwithstanding such directions conflict or are inconsistent with a subsequent written direction. OWASA agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Trustee and that there may be more secure methods of transmitting directions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromised or unauthorized use of the security procedures.

Section 22. Effective Date. This Series Resolution shall take effect immediately upon its adoption. Notwithstanding the foregoing, if the Chair, the Vice-Chair, the Executive Director or the Director of Finance and Customer Service of OWASA shall determine that no Series 2020 Bonds shall be Term Bonds, as specified in the Series Certificate required by Section 4 of this Series Resolution, the terms and provisions of this Series Resolution with respect to Term Bonds and the mandatory redemption of Term Bonds pursuant to the Sinking Fund Requirements therefor shall be of no further force and effect.

Adopted this 24th day of October, 2019.



Raymond E. DuBose
Chair

ATTEST:


Bruce Boehm
Secretary