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CLOSING DOCUMENTS

\$2,340,000

**EDGEFIELD COUNTY WATER AND
SEWER AUTHORITY, SOUTH CAROLINA
WATERWORKS AND SEWER SYSTEM REVENUE BOND
SERIES 2016**

November 3, 2016

Transcript of Proceedings

1. Certificates of Clerks of Court of Common Pleas and General Sessions for Edgefield and Aiken Counties
2. Incumbency Certificate
3. Certified copy of a resolution adopted by the members of governing body of the Edgefield County Water and Sewer Authority (the "***Authority***"), on February 24, 1998, entitled "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATERWORKS AND SEWER SYSTEM REVENUE BONDS OF EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO" (the "***Bond Resolution***")
4. Certified copy of a resolution adopted by the Authority on October 24, 2016, entitled "A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF AN EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2016 IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING TWO MILLION THREE HUNDRED FORTY THOUSAND DOLLARS (\$2,340,000) AND OTHER MATTERS RELATING THERETO" (the "***Series Resolution***")
5. Filing with State Treasurer of South Carolina

Documents of the Authority

6. Specimen Bond
7. Signature Certificate
8. Closing Certificate
9. Letter of Instructions
10. Arbitrage and Tax Compliance Certificate
11. Copy of IRS Form 8038-G Information Return
12. Appointment of Trustee, Registrar and Paying Agent
13. Receipt for Bond Proceeds

14. Additional Bonds Certificate

DOCUMENT OF THE PURCHASER

15. Receipt for Bond and Investment Letter
16. Acknowledgement of Payment Schedule

DOCUMENTS OF THE TRUSTEE

17. Certificate of Acceptance
18. Trustee Incumbency Certificate

OPINIONS OF COUNSEL

19. Opinion of Sumner Law Firm, Counsel to the Authority
20. Opinion of Haynsworth Sinkler Boyd, P.A., Bond Counsel

STATE OF SOUTH CAROLINA


COUNTY OF EDGEFIELD

I, the undersigned, Clerk of the Court of Common Pleas and General Sessions for Edgefield County, South Carolina, **DO HEREBY CERTIFY:**

That the attached pages constitute a true, correct and verbatim copy of the Transcript of Proceedings covering the issuance by Edgefield County Water and Sewer Authority, South Carolina of its \$2,340,000 Waterworks and Sewer System Revenue Bond, Series 2016, dated November 3, 2016, as the same was this day filed in my office and indexed in a special book kept for that purpose.

WITNESS my Hand and Official Seal this 15th day of November, 2016.

(SEAL)



Clerk of the Court of Common Pleas and General
Sessions for Edgefield County, South Carolina

TRANSCRIPT OF PROCEEDINGS

\$2,340,000

**EDGEFIELD COUNTY WATER AND
SEWER AUTHORITY, SOUTH CAROLINA
WATERWORKS AND SEWER SYSTEM REVENUE BOND
SERIES 2016**

November 3, 2016

-
1. Incumbency Certificate
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 4. Filing with State Treasurer of South Carolina

11-1 26,973

STATE OF SOUTH CAROLINA

COUNTY OF AIKEN

I, the undersigned, Clerk of the Court of Common Pleas and General Sessions for Aiken County, South Carolina, **DO HEREBY CERTIFY:**

That the attached pages constitute a true, correct and verbatim copy of the Transcript of Proceedings covering the issuance by Edgefield County Water and Sewer Authority, South Carolina of its \$2,340,000 Waterworks and Sewer System Revenue Bond, Series 2016, dated November 3, 2016, as the same was this day filed in my office and indexed in a special book kept for that purpose.

WITNESS my Hand and Official Seal this 1st day of November, 2016.

(SEAL)

Rej Godard by Anita Knoepfle
Clerk of the Court of Common Pleas and General D/E
Sessions for Aiken County, South Carolina

FILED 11-1 16
Rej Godard
C.C.P. & G.S.
Anita Knoepfle
Deputy Clerk

TRANSCRIPT OF PROCEEDINGS

**\$2,340,000
EDGEFIELD COUNTY WATER AND
SEWER AUTHORITY, SOUTH CAROLINA
WATERWORKS AND SEWER SYSTEM REVENUE BOND
SERIES 2016**

November 3, 2016

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 4. Filing with State Treasurer of South Carolina

INCUMBENCY CERTIFICATE

I, the undersigned, Secretary of the Edgefield County Water and Sewer Authority, **DO HEREBY CERTIFY** that the following constitute the members of the Edgefield County Water and Sewer Authority, their dates of appointment and expiration of their current terms of office being as set forth opposite their respective names:

<u>Name</u>	<u>Term Commenced</u>	<u>Term Expires</u>
Carrol L. Clark	09/15/2014	09/15/2020
Ronald Creswell	09/15/2013	09/15/2019
C. Raymond Johnson	09/15/2015	09/15/2021
James Earl Kennamer	09/15/2011	09/15/2017
Bernard E. Kitchens	09/15/2011	09/15/2017
John C. Timmerman	09/15/2014	09/15/2020
Henry Williams	09/15/2015	09/15/2021

I do further certify that:

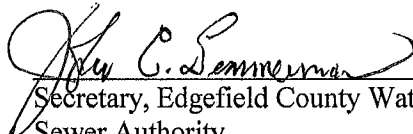
James Earl Kennamer is Chairman of the Authority for a term which commenced January 25, 2016 and will expire January 22, 2018.

C. Raymond Johnson is Vice Chairman of the Authority for a term which commenced January 25, 2016 and will expire January 22, 2018.

I, John C. Timmerman, am Secretary of the Authority for a term which commenced January 25, 2016 and will expire January 22, 2018.

John Hare is Administrator of the Authority for a term which commenced in April 2013 and will expire at the pleasure of the Authority.

IN WITNESS WHEREOF, I have hereunto set my Hand this 1st day of November, 2016.



Secretary, Edgefield County Water and
Sewer Authority

STATE OF SOUTH CAROLINA)
)
COUNTY OF EDGEFIELD)

CERTIFIED COPY OF BOND RESOLUTION

I, the undersigned Secretary of the governing body of Edgefield County Water and Sewer Authority (the "*Authority*"), **DO HEREBY CERTIFY THAT:**

1. I am the duly appointed and acting Secretary of the Authority and, in such capacity, act as the recorder and custodian of its official records.

2. The attached resolution constitutes a true, correct and verbatim copy of a resolution duly adopted by the governing body of the Authority at a meeting duly called and held on the 24th day of February, 1998. At this meeting, a majority of the governing body of said Authority were present, and voted unanimously in favor of the adoption of the resolution.

3. The original of the resolution is duly entered in the permanent records of the Authority, in my custody as Secretary of the Authority.

4. Since February 24, 1998, the resolution has not been modified, amended or repealed and remains in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my as of hand the 1st day of November, 2016.



Secretary, Edgefield County Water and
Sewer Authority

A RESOLUTION

PROVIDING FOR THE ISSUANCE AND SALE OF WATERWORKS AND
SEWER SYSTEM REVENUE BONDS OF EDGEFIELD COUNTY WATER AND
SEWER AUTHORITY, SOUTH CAROLINA, AND OTHER MATTERS
RELATING THERETO.

ADOPTED FEBRUARY 24, 1998

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and is for convenience of reference only.)

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BE IT RESOLVED BY THE MEMBERS OF EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA, IN MEETING DULY ASSEMBLED:

ARTICLE I
FINDINGS OF FACT

Section 1.01. Recitals and Statement of Purpose. Incident to the adoption of this resolution, and the issuance of the bonds provided for herein, the members of Edgefield County Water and Sewer Authority, South Carolina (the "Authority") find, as a fact, that each of the statements hereinafter set forth in all respects true and correct.

(A) The Authority was created pursuant to Act No. 571 of the 1967 Regular Session of the General Assembly of the State of South Carolina ("Act 571"), which authorized and empowered the Authority to acquire, construct and operate a water system within a service area consisting of all of Edgefield County, South Carolina ("Edgefield County"), excluding any area within an incorporated municipality. The Authority is charged by Act No. 571 with the duty to not unduly compete with the existing publicly operated water systems in Edgefield County and to not sell water to be used within the corporate limits of municipalities which own and operate therein a municipal waterworks system or areas served by such municipalities without the consent of such municipality.

(B) Pursuant to Act No. 1192 of the 1970 Regular Session of the General Assembly of the State of South Carolina ("Act 1192"), which amended Act 571, the Authority was further empowered to acquire, construct and operate a sewer system. Act 1192 redefined the service area of the Authority, with respect to the operation of its water and sewer systems, to include (i) all of Edgefield County, excluding any area within an incorporated municipality which owns and operates a municipal waterworks system, and (ii) a small area in the southwestern corner of Aiken County, South Carolina, bounded on the east by the eastern right-of-way of U.S. Highway 25 and on the south by the southern right-of-way of U.S. Interstate 20.

(C) In order to perform its statutory function, the Authority is authorized to issue bonds payable from the revenues derived from the operation of its waterworks and sewer system (the "System"). As of March 2, 1998, the Authority expects to have outstanding the following bond issues payable from the revenues of the System:

(i) \$735,000 of the Waterworks and Sewer System Revenue Bond, Series A, of the Authority, dated July 1, 1974, issued in the original principal amount of \$1,000,000;

(ii) \$165,816 of the Waterworks and Sewer System Revenue Bond of 1987 (Fourth Lien) of the Authority, dated September 29, 1987, issued in the original principal amount of \$225,000;

(iii) \$878,129.93 of the Waterworks and Sewer System Revenue Bond, Series 1989B (Third Lien), of the Authority, dated July 6, 1989, issued in the original principal amount of \$962,000;

(iv) \$1,636,000 of the Waterworks and Sewer System Refunding Revenue Bonds, Series 1989A, of the Authority, dated May 8, 1989, issued in the original principal amount of \$1,848,000;

(v) \$1,070,000 of the Waterworks and Sewer System Revenue Bonds, Series 1990, of the Authority, dated June 1, 1990, issued in the original principal amount of \$1,165,000;

(vi) \$730,770.90 of the Waterworks and Sewer System Revenue Bond of 1994 (Sixth Lien), of the Authority, dated August 15, 1994, issued in the original principal amount of \$757,000; and

(vii) \$2,442,926.54 of the Waterworks and Sewer System Revenue Bond of 1996 (Parity Sixth Lien) of the Authority, dated April 11, 1996, issued in the original principal amount of \$2,517,000;

(the series of bonds referred to in (i) through (vii) above are hereinafter, collectively, the "Prior Bonds").

(D) The Authority has been notified by the United States Department of Agriculture, Rural Development ("USDA-RD"), that, pursuant to the rules and regulations of USDA-RD, the Authority must refinance the various series of Prior Bonds currently held by USDA-RD (namely, the series referred in clauses (ii), (iii), (vi) and (vii) of paragraph (C) above).

(E) The Authority is informed by its advisors that, in order to obtain the lowest effective interest rates available in the public markets with respect to a refinancing of the series of Prior Bonds referred to in paragraph (D) above, it would be advisable for the Authority to refinance all of the Prior Bonds such that the refinancing indebtedness issued by the Authority will constitute a first and prior lien on the revenues of the System. In this connection, a refinancing of all Prior Bonds would afford the Authority with the opportunity to (i) provide greater flexibility with respect to its financing covenants than is presently available under the authorizing resolutions with respect to the various series of Prior Bonds and (ii) under current market conditions, realize an overall debt service savings with respect to the indebtedness of the Authority payable from revenues of the System.

(F) At the present time, the Authority has determined that certain sums should be raised by the issuance of additional indebtedness in order to defray the cost of certain capital improvements to the System.

(G) The members of the Authority are therefore adopting this resolution to authorize the issuance of bonds for the purposes of refunding the Prior Bonds, to provide funds to defray the cost of the Authority's presently planned capital improvements, to provide for the issuance from time to time of additional bonds payable from revenues of the System in order to finance enlargements and improvements to the System and to refund other bonds issued pursuant to this resolution, and to provide a mechanism for the ordering of pledges and liens created to secure such bonds.

[End of Article I]

ARTICLE II DEFINITIONS, CONSTRUCTION AND INTERPRETATIONS

Section 2.01. Definition of Resolution. This resolution may be hereafter cited and is hereinafter sometimes referred to as the Bond Resolution. Such term shall include all resolutions supplemental to, or amendatory of, this resolution.

Section 2.02. Defined Terms. In this Bond Resolution, terms defined in Article I shall have the meaning assigned therein with respect to the provisions of that Article, and unless a different meaning clearly appears from the context, the following terms shall have the following respective meanings:

"Accountants" shall mean an independent firm of certified public accountants of suitable standing who audit the books, records, and accounts of the Authority or as may otherwise be selected by the Authority.

"Accreted Value" shall mean the amounts set forth in or the amounts determined in the manner set forth in, a Series Resolution authorizing the issuance of Bonds in the form of Capital Appreciation Bonds.

"Annual Budget" shall mean the annual budget or amended budget of the Authority in effect as provided in or adopted pursuant to the provisions of this Bond Resolution.

"Annual Principal and Interest Requirement" shall mean, with respect to any particular Fiscal Year and to a Series of Bonds Outstanding, an amount (other than amounts paid from proceeds of Bonds) equal to the sum of (i) all interest payable on such Series of Bonds during such Fiscal Year plus (ii) any Principal Installments of such Series of Bonds during such Fiscal Year. For purposes of computing "Annual Principal and Interest Requirement," the rate of interest used to determine (i) above shall be a rate per annum equal to (a) with respect to any Series of Bonds which bear interest at a fixed rate, the rate of interest borne or to be borne by such Bonds, and (b) with respect to any Series of Variable Rate Bonds, the interest rate shall be assumed to be the highest of:

(1) the actual rate on the date of calculation, or if the Variable Rate Bonds are not yet Outstanding, the initial rate (if established and binding),

(2) if the Variable Rate Bonds have been Outstanding for at least twelve (12) months, the average rate over the twelve (12) months immediately preceding the date of calculation, and

(3) (A) if interest on the Variable Rate Bonds is intended by the Authority to be excludable from gross income under the applicable provisions of the Code, The Bond Buyer 25 Revenue Bond Index (or comparable index if such is no longer published) published not earlier than two (2) weeks prior to the sale date, or (B) if interest is not intended to be so excludable, the interest rate on Government Obligations with comparable maturities; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds shall be deemed to bear interest at the actual rate per annum applicable during the test period.

"Authority" shall mean the Edgefield County Water and Sewer Authority, South Carolina.

"Authority Representative" shall mean the individual to whom the members of the Authority have delegated the responsibility of supervising and maintaining records and accounts relating to the collection and disbursement of the revenues derived by the Authority from the operation and maintenance of the System.

"Authorized Investments" shall mean, within the limitations set forth herein and as the same may be further limited pursuant to the provisions of a Series Resolution, any investments now or hereafter permitted under Section 6-5-10 of the South Carolina Code, or any successor statute, and shall also include the South Carolina Investment Fund established at Sections 6-6-10 to 6-6-40 of the South Carolina Code or any successor statute.

"Bond Counsel" shall mean an attorney or firm of attorneys of recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Authority and satisfactory to the Trustee.

"Bond Payment Date" shall mean the date or dates on which the principal of or interest on any of the Bonds shall be payable or on which both principal and interest shall be payable on any of the Bonds, all as set forth in the Series Resolutions authorizing the issuance of the respective Series of Bonds.

"Bondholder" and **"Holder"**, and any similar term, when used with reference to a registered Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond, in the case of Bonds issued in bearer form, the holder of any such Bond, and in the case of Bonds consisting of contractual obligations not in the form of an instrument, the party entitled to enforce the Authority's payment obligation thereunder.

"Bonds" shall mean any indebtedness or obligations including those entered into under the provisions of long-term contracts payable from the revenues of the System, issued in accordance with the provisions of the Enabling Act, this Bond Resolution and a Series Resolution, excluding indebtedness incurred in accordance with Article VI hereof.

"Business Day" shall mean, except as set forth in a Series Resolution with respect to the Series of Bonds issued thereunder, any day other than a Saturday, a Sunday or a day on which banking institutions in the State or in the State of New York are required or authorized by law (including executive orders) to close.

"Capital Appreciation Bonds" shall mean Bonds that bear interest payable only at maturity or payable prior to maturity only on the redemption dates set forth in, and in the amounts determined by reference to the Accreted Value established in accordance with the provisions of the Series Resolution authorizing the issuance of such Capital Appreciation Bonds.

"Chairman" shall mean the Chairman of the Authority. The term shall include the Vice-Chairman whenever, by reason of absence, illness or other reason, the person who is the Chairman is unable to act.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and applicable Treasury Regulations from time to time in effect.

"Consulting Engineers" shall mean any independent firm of consulting engineers having skill and experience in utility financing and rate design, and the design and operation of, as may be dictated under the circumstances, water and sewer facilities.

"Date of Issue" shall mean that date established in any Series Resolution from which interest shall accrue on the Bonds of the applicable Series.

"Debt Service Fund" shall mean, with respect to any Series of Bonds, the fund herein so designated and designed to provide for the payment of the principal of and interest on the Bonds of such Series issued pursuant to this Bond Resolution, as the same respectively fall due, and as established by the provisions of Section 7.03 hereof.

"Debt Service Reserve Fund" shall mean, with respect to any Series of Bonds, any fund so designated and established for such Series of Bonds by the authorizing Series Resolution, and designed to insure the timely payment of the principal of and interest on the Bonds of such Series and to provide for the redemption of such Bonds prior to their stated maturity, as set forth more fully in Section 7.04 hereof.

"Defeasance Obligations", unless otherwise provided in a Series Resolution for a particular Series of Bonds, shall mean non-callable (i) Government Obligations or (ii) evidences of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

"Depreciation and Contingent Fund" shall mean the fund herein so designated and to be maintained by the Authority to provide for contingencies, for the replacement of depreciated or obsolete parts of the System and for improvements, betterments and extensions of the System, as established by the provisions of Section 7.06 hereof.

Insert 5A

"Enabling Act" shall mean Chapter 17 of Title 6 and Chapter 21 of Title 11 of the South Carolina Code and all other statutory authorizations, authorizing and enabling the adoption of this Bond Resolution.

"Events of Default" shall mean those events set forth in Section 13.01 of this Bond Resolution.

"Fiduciary" or "Fiduciaries" shall mean the Trustee and any Registrar and any other agent of the Authority appointed pursuant to the authorizations of this Bond Resolution or any Series Resolution or any or all of them, as may be appropriate.

"Fiscal Year" shall mean the period of twelve (12) calendar months, beginning on July 1 of each year, and ending on June 30 of the next year, unless the same shall have been changed by the Authority pursuant to the authorization contained in Section 3.01 hereof.

"General Revenue Fund" shall mean the account or accounts which shall be established and maintained by the Authority in such fashion as to reflect adequately all of the receipts and revenues

derived from the operation of the System and all interest and other income earned by the Authority in connection with the operation of the System, as established by the provisions of Section 7.02 hereof.

"Government Obligations" shall mean:

- (i) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America are pledged; and
- (ii) obligations, specifically including interest payment strips, including without limitation Refcorp interest strips, the payment of the principal (if any), the premium (if any) and the interest (if any) on which is fully guaranteed as a full faith and credit obligation of the United States of America.

"Gross Revenues" and **"Gross Revenues of the System"** shall mean for the period in question:

- (a) all receipts and revenues (except customers' deposits) derived from the operation of the System, except for those allocable to the operation of Special Facilities to the extent the same have been pledged to the payment of Special Facilities Bonds, including all service fees (which shall include, but are not limited to, tap-in fees, connection fees, availability fees (but not including impact fees), administration fees and meter purchases),
- (b) all proceeds from the sale or other disposition of any property owned directly or beneficially by the Authority in connection with the operation of the System,
- (c) all interest and other income received by the Authority, directly or indirectly from the investment of any moneys or accounts relating to the System; excluding, however, investment income restricted to a purpose inconsistent with the payment of operating expenses or debt service, and specifically excluding (whether or not so restricted) interest earned on any construction fund or construction account created with the proceeds of borrowing by the Authority, and
- (d) all other unencumbered money to which the Authority may become entitled from any source whatsoever, but specifically excluding any amounts received by way of government grants or aids-to-construction.

"Insurer", with respect to any Series of Bonds, shall mean an insurance company that has written a Municipal Bond Insurance Policy with respect to such Series of Bonds.

"Junior Lien Bonds" shall mean any revenue bonds issued by the Authority or other obligations entered into by the Authority including such obligations under the provisions of long-term contracts which are secured by pledges of and liens on the revenues of the System which are junior and subordinate in all respects to the pledges and liens made to secure Bonds and to the payment by the Authority of all Operation and Maintenance Expenses.

"Moody's" shall mean Moody's Investors Service, Inc. and its successors.

"Municipal Bond Insurance Policy" shall mean any municipal bond insurance policy insuring the payment, when due, of the principal of and interest on a Series of Bonds.

"Net Earnings" shall mean for the period in question the net income of the Authority, determined accordance with generally accepted accounting principles, but whether or not generally accepted counting principles so require, the same shall be adjusted as follows:

(a) revenue derived from service fees (including, without implied limitation, tap-in fees, connection fees, availability fees, administration fees and meter purchases) shall be included in income;

(b) investment income not restricted to a purpose inconsistent with the payment of operating expenses or debt service shall be included in income;

(c) any act of making a deposit or other disposition to the various Funds required to be made pursuant to Article VIII hereof shall not, by itself, result in a required adjustment to income;

(d) there shall be excluded from net income for purposes of the calculation made to determine Net Earnings:

(i) gains on the sale or other disposition of investments or fixed or capital assets, not resulting from the ordinary course of business,

(ii) investment income restricted to a purpose inconsistent with the payment of operating expenses or debt service including (whether or not so restricted) interest earned on any construction fund or construction account created with the proceeds of any borrowing of the Authority,

(iii) any amounts received by way of government grants or aids-to-construction,

(iv) impact fees, and

(v) revenues derived from the operation of Special Facilities to the extent the same have been pledged to secure the payment of Special Facilities Bonds; and

(e) there shall be added to net income for purposes of calculating Net Earnings:

(i) losses on the sale or other disposition of investments or fixed or capital assets, not resulting from the ordinary course of business,

(ii) interest paid on the Bonds,

(iii) depreciation expense for such period,

(iv) the amortization of financing expenses, underwriting discounts, call premiums, gains or losses on the extinguishment of debt due to refinancing of the same, and other related and non-recurring expenses resulting from the issuance or refinancing of Bonds, and

(v) expenses resulting directly from the operation of Special Facilities to the extent that the revenues derived therefrom have been pledged to secure, and are used for, the payment of debt service on Special Facilities Bonds.

"**Operation and Maintenance Expenses**" shall mean for the period in question all expenses incurred in connection with the administration and the operation of the System, including, without limiting the generality of the foregoing, such expenses as may be reasonably necessary to preserve the System in good repair and working order, the fees and charges of the Trustee, the Registrar and any Paying Agent and the custodian or trustee of any fund, the costs of audits required hereunder, the costs of computation and payment of any arbitrage rebate, and the premiums for all insurance and fidelity bonds required by this Bond Resolution; provided, however, Operation and Maintenance Expenses shall not include:

- (a) depreciation allowances;
- (b) amounts paid as interest on Bonds;
- (c) amounts expended for extraordinary repairs to the System;
- (d) the amortization of financing expenses, underwriting discounts, call premiums, gains or losses on the extinguishment of debt due to the refinancing of the same, and other related or incidental non-recurring expenses resulting from the issuance or refinancing of Bonds; and
- (e) amounts paid as capital costs pursuant to the provisions of long-term contracts which the Authority has entered into in order to provide water or sewer services to the areas included within its service area, such obligations being specifically included within the definitions of Bonds or Junior Lien Bonds depending upon the priority of pledge given to secure the same.

"**Operation and Maintenance Fund**" shall mean the fund established by the provisions of Section 7.05 hereof and which is designed to provide for the payment of all Operation and Maintenance Expenses.

"**Outstanding**", when used with reference to any Bonds and subject to the provisions of Section 17.01 hereof and except as may be modified for any Series of Bonds pursuant to the provisions of a Series Resolution, shall mean, as of any date, all such Bonds theretofore or then being authenticated and delivered except:

- (a) Bonds cancelled at or prior to such date;
- (b) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered;
- (c) Bonds deemed to have been paid as provided in Article XVI hereof; and
- (d) for purposes of any consent or other action to be taken by the Holders of a specified percentage of Bonds, Bonds held by, or for the account of, the Authority, or by any person controlling, controlled by, or under common control with the Authority, unless all Bonds are so held.

"Paying Agent" shall mean the financial institution which is authorized by the Authority to pay the principal of or interest and redemption premium, if any, on any Bonds and having the duties, responsibilities and rights provided for in this Bond Resolution and any Series Resolution, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to the Bond Resolution. Pursuant to the provisions of Section 15.02 of this Bond Resolution, the Trustee serves as the Paying Agent.

"Principal Installment" shall mean, as of any date of calculation, (i) the aggregate principal amount of Outstanding Bonds stated to mature on a certain date, reduced by the aggregate principal amount of such Bonds which will be retired by reason of any mandatory sinking fund payment payable before such date, plus (ii) any mandatory sinking fund payment due on such certain date, together with the aggregate amount of the premiums, if any, applicable to such mandatory sinking fund payments, plus (iii) with respect to any Capital Appreciation Bonds required to be paid on such certain date, the Accreted Value as of such certain date of such Capital Appreciation Bonds; and in this latter respect, any reference to "principal" of Bonds in this Bond Resolution shall mean, with respect to Capital Appreciation Bonds, the Accreted Value of such Capital Appreciation Bonds.

"Record Date" shall mean the fifteenth (15th) day of the month immediately preceding each Bond Payment Date (or such other time or times as shall be prescribed for any Series by the applicable Series Resolution).

"Registrar" shall mean the Trustee or any bank, trust company, or national banking association which is authorized by the Authority to maintain an accurate list of those who from time to time shall be the Holders of Bonds of a particular Series and to effect the transfer of such Bonds in accordance with the provisions of the Bond Resolution and having the duties, responsibilities, and rights provided for in this Bond Resolution and any Series Resolution, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to this Bond Resolution.

"Reserve Requirement" shall mean, as of any date of calculation, the debt service reserve fund requirement, if any, established by a Series Resolution authorizing a Series of Bonds.

"S&P" shall mean Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., and its successors.

"Secretary" shall mean the Secretary of the Authority. The term shall include the Acting Secretary or the Assistant Secretary whenever, by reason of absence, illness or other reason, the person who is the Secretary is unable to act.

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

"Securities Depository Nominee" shall mean, 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 any Registrar, the Bond certificates to be delivered to and immobilized at such Securities Depository during the continuation with such Securities Depository of participation in its book-entry system.

"**Serial Bonds**" shall mean the Bonds of any Series which are stated to mature in installments and for which there are no mandatory sinking fund provisions.

"**Series**" shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction and designated as a single Series by the authorizing Series Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided, regardless of variations in maturity, interest rate or other provisions.

"**Series Resolution**" shall mean a Resolution of the members of the Authority authorizing the issuance of a Series of Bonds by the Authority pursuant to this Bond Resolution in accordance with the terms and provisions hereof, adopted by said members in accordance with Article IV hereof.

"**South Carolina Code**" shall mean the Code of Laws of South Carolina of 1976, as amended.

"**Special Facilities**" shall mean those facilities financed with the proceeds of Special Facilities Bonds as described in Section 6.02 hereof.

"**Special Facilities Bonds**" shall mean those obligations issued in accordance with Section 6.02 hereof.

"**State**" shall mean the State of South Carolina.

"**System**" shall mean the Waterworks and Sewer System of the Authority as the same is now or may hereafter be constituted, including all property real and personal, used and useful therefor, all apparatus and equipment used in connection therewith, and all acquisitions, replacements, enlargements, improvements, extensions, additions and betterments that may be made thereto at any time hereafter; provided, that during such time as any Special Facilities Bonds issued to finance Special Facilities are outstanding, the term "System" shall not include such Special Facilities.

"**Term Bonds**" shall mean the Bonds of any Series which are stated to mature in a single year and which are subject to mandatory sinking fund redemption prior to the stated maturity date.

"**Trustee**" shall mean the financial institution serving as Trustee pursuant to this Bond Resolution and which shall have such other duties, privileges and functions as are set forth herein. Such term shall include any successor and any corporation or association resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"**Variable Rate Bonds**" shall mean, for any period of time, any Bonds which during such period bear interest at a variable rate; provided that Bonds the interest rate on which has been fixed for the remainder of the term thereof shall no longer be Variable Rate Bonds.

Section 2.03. Interpretations. In this Bond Resolution, unless the context otherwise requires:

(A) Articles, Sections and paragraphs referred to by number shall mean the corresponding Articles, Sections and paragraphs of this Bond Resolution.

(B) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number

and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities, including public bodies, as well as natural persons.

(C) The terms "hereby", "hereof", "hereto", "herein", "hereunder", and any similar terms, as used in this Bond Resolution refer to the Bond Resolution or Sections or paragraphs of this Bond Resolution and the term "hereafter" shall mean any date after the date of adoption of this Bond Resolution.

(D) References to the payment of principal of Bonds shall be deemed to include payment of principal both at maturity and by mandatory redemption pursuant to any sinking fund payment obligations.

(E) Any Fiduciary shall be deemed to hold an Authorized Investment in which money is invested pursuant to the provisions of this Bond Resolution, even though such Authorized Investment is evidenced only by a book entry or similar record of investment.

[End of Article II]

ARTICLE III
FISCAL YEAR

Section 3.01. Establishment and Modification of Fiscal Year. The System shall continue to be operated on a Fiscal Year basis, which, until changed, shall commence on the first (1st) day of July of each year and shall end on the thirtieth (30th) day of June of the next year. The Authority, in its sole discretion, may from time to time, change the Fiscal Year from that then existing to a different twelve (12) month period.

[End of Article III]

ARTICLE IV THE BONDS

Section 4.01. Authorization for Bonds in Series.

(A) From time to time and for the purposes of:

(1) Obtaining funds for the expansion and improvement of the System, including the recoupment of funds already so expended;

(2) Providing funds for the payment of any bond anticipation note or notes issued in order to defray the cost of expansions and improvements to the System and that were issued in anticipation of the issuance and sale of Bonds;

(3) Refunding bonds or other obligations issued to provide land or facilities which are or are to become a part of the System or which are or were payable in whole or in part from revenues of the System;

(4) Providing funds for the payment of interest due on such Bonds;

(5) Funding the Debt Service Reserve Funds or restoring the value of the cash and securities in the Debt Service Reserve Funds to the amounts equal to their Reserve Requirements, and reimbursing amounts owed to any providers of a surety bond, line of credit, insurance policy or letter of credit established pursuant to Section 7.04(D) hereof; and

(6) Paying the costs of issuance of Bonds, including any credit enhancement therefor,

but subject to the terms, limitations and conditions herein, the Authority may authorize the issuance of a Series of Bonds by the adoption of a Series Resolution, and the Bonds of any such Series may be issued and delivered upon compliance with the provisions of this Article. The Bonds of each Series shall be issued in fully registered form, without coupons, and may be issued in the form of book-entry Bonds. The Bonds shall, in addition to the title Edgefield County Water and Sewer Authority, South Carolina, Waterworks and Sewer System Revenue Bonds, bear a letter or number Series designation as may be necessary to distinguish them from the Bonds of every other Series and shall designate the year in which the Series is issued. Bonds of any Series may be authorized to be issued in the form of Serial Bonds, Term Bonds or Capital Appreciation Bonds, or a combination of any of them, and may bear interest in whatever manner and payable at whatever frequency as shall be prescribed by the applicable Series Resolution.

(B) Each Series Resolution shall include a determination by the Authority to the effect that the issuance of such Series of Bonds is necessary to provide funds to be used and expended for one or more of the purposes set out in Section 4.01(A) hereof. Each Series Resolution shall specify and determine:

(1) The then period of usefulness of the System;

(2) The Date of Issue of such Series of Bonds;

- (3) The maximum authorized principal amount of such Series of Bonds, and the manner of determining the precise principal amount and the officials authorized to make such determination;
- (4) The Bond Payment Dates for the Bonds in such Series and the Record Dates, and the date or dates of maturity and the amounts thereof, or the manner of determining such dates and amounts and the officials authorized to make such determinations, provided that the Series Resolution shall specify a date beyond which the final maturity of such Series shall not extend which date shall not be longer than forty (40) years from the date of such Series of Bonds as prescribed by Section 6-17-60 of the Enabling Act;
- (5) The specific purposes for which such Series of Bonds is being issued;
- (6) The title and designation of the Bonds of such Series;
- (7) The manner in which Bonds of such Series are to be sold and provisions for the sale thereof;
- (8) The interest rate or rates, or the manner of determining such rate or rates, of the Bonds of such Series, including whether and on what terms there shall be entered by the Authority an agreement for any form of interest rate hedge or similar transaction with respect to such Series;
- (9) The portion of such Series that are Serial Bonds and that are Term Bonds and that are Capital Appreciation Bonds, if any, including the amount and date of each mandatory redemption or sinking fund installment, if any, required by such Series Resolution to be paid for the retirement of any such Bonds, or the manner of making such designations and the officials authorized to make such designations;
- (10) The redemption price or redemption prices and the redemption date or redemption dates and other terms of redemption (if any) applicable to any of the Bonds of such Series for such payments, or the manner of determining such dates and prices and the officials authorized to make such determinations;
- (11) The Trustee and the Paying Agent for such Bonds, and the Registrar for such Bonds if it is determined that an institution other than the Trustee shall act in such capacity, and the escrow agent if such Bonds are advance refunding Bonds;
- (12) The form or forms of the Bonds of such Series;
- (13) The manner of numbering and lettering, and the denomination or denominations of the Bonds of such Series;
- (14) Whether the Bonds of such Series shall be issued in book-entry form pursuant to Section 4.19 hereof;
- (15) That the then applicable Reserve Requirements for all Series of Bonds Outstanding has been or will be met;

(16) The disposition or application of the proceeds of the sale of such Series of Bonds;

(17) That a Debt Service Fund be established for the Series of Bonds, and that a construction fund be established if the proceeds of the Bonds of any Series are intended to be used for the expansion or improvement of the System, and that a capitalized interest account be established within any such construction fund if interest for any period is to be paid from proceeds of such Series of Bonds; and

(18) Whether such Series of Bonds will be subject to a Reserve Requirement and if subject to one, that such Reserve Requirement has been or will be met; and, in the event the Authority determines to satisfy the Reserve Requirement by obtaining a qualified line of credit, surety bond, insurance policy or letter of credit, all as permitted pursuant to Section 7.04(D) hereof, then any conditions as to the credit worthiness of any company which provides such line of credit, surety bond, insurance policy or letter of credit, or, in lieu thereof, of the guarantor of such company's obligations under such line of credit, surety bond, insurance policy or letter of credit.

Section 4.02. Conditions to Issuance of Bonds of a Series. All Bonds shall be issued in compliance with the following provisions of this Section 4.02:

(1) Bonds shall be stated to mature and/or have mandatory or sinking fund redemptions on the dates and in the amounts prescribed or approved by the Series Resolution.

(2) Bonds shall bear interest at the rates and on the occasions prescribed by the Series Resolution.

(3) Bonds shall be issued for a purpose or purposes set forth in Section 4.01(A) hereof.

(4) There shall exist, on the occasion of the issuance of the Bonds, no default in the payment of the principal of or interest on any Bonds or Junior Lien Bonds then Outstanding.

(5) The Authority shall obtain an opinion of Bond Counsel to the effect that (a) this Bond Resolution and the Series Resolution have been duly and lawfully adopted and are in full force and effect; (b) the Bonds have been duly and lawfully authorized, executed and issued by the Authority and are valid and binding upon, and enforceable against, the Authority (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); and (c) with respect to such Bonds, this Bond Resolution creates the valid pledge of the Gross Revenues subject to the application thereof to the purposes and on the conditions permitted by this Bond Resolution.

(6) Unless on the date of delivery of such Series of Bonds there shall be on deposit in each Debt Service Reserve Fund an amount equal to the applicable Reserve Requirement, if any, immediately following the issuance of such Series of Bonds, or a qualified line of credit, surety bond, insurance policy or letter of credit shall be in effect in lieu thereof in accordance with Section 7.04(D) hereof, there shall be deposited in each Debt Service Reserve Fund such amount, or a qualified substitute in accordance with Section 7.04 hereof shall be provided, as is necessary

to make the value of the moneys and securities in each Debt Service Reserve Fund, including any such qualified substitute, equal to the respective Reserve Requirement, unless:

(a) the Series Resolution and any previous Series Resolutions shall have provided for successive monthly payments beginning in the first month following the date of the issuance of the Bonds of any such Series in substantially equal monthly amounts (the "Monthly Series Payments") so that by the end of twelve (12) months from the date of issuance of such Series of Bonds there shall be in the applicable Debt Service Reserve Fund an amount equal to the applicable Reserve Requirement with respect to such Bonds; and

(b) there shall be no unremedied defaults of any Monthly Series Payments required to have been made.

(7) Except in the case of the first Series of Bonds issued hereunder, or in the case of Bonds issued for the purpose of refunding any Bonds and which meet the test prescribed in Section 4.02(8) hereof:

(a) Net Earnings during the most recent Fiscal Year for which audited financial statements of the System are completed shall be certified by the Accountants or by the Consulting Engineers on the basis of such audited financial statements to be not less than one hundred twenty percent (120%) of the maximum Annual Principal and Interest Requirement on all Bonds Outstanding and on such proposed Series of Bonds; provided that for purposes of this Section 4.02(7)(a), such Net Earnings shall be adjusted to reflect (1) any rate increases currently adopted and to be in effect prior to or coincident with the issuance of such proposed Series of Bonds and determined pro forma as though such rate increases had been in continuous effect during such recent Fiscal Year; (2) in the event a utility, system or enterprise that is in existence and operating and whose current customers have become customers of the System prior to the issuance of the proposed Series of Bonds or will become customers of the System concurrently with the issuance of such proposed Series of Bonds, one hundred percent (100%) of the Net Earnings that the Accountants or Consulting Engineers estimate would have been received during such Fiscal Year if the utility, system or enterprise had been a part of the System throughout such recent Fiscal Year, taking into account, for the estimation of such Net Earnings in this subparagraph (2) only, the then-existing customer base and population of the acquired utility, system or enterprise; (3) in the event proceeds of such proposed Series of Bonds will be used to construct or to acquire a newly-constructed utility, system, enterprise, or component of the System which will serve an existing customer base and currently-populated area, one hundred percent (100%) of the Net Earnings, estimated by the Consulting Engineers, to be received by the System during the first Fiscal Year beginning after the earlier of (a) the date on which such project constructed or acquired with the proceeds of the proposed Series of Bonds is placed in service and (b) the third anniversary of the date of delivery of the proposed Series of Bonds, from the newly-constructed or to-be-constructed utility, system, enterprise, or component of the System, taking into account for the estimation of such Net Earnings in this subparagraph (3) only the then-existing customer base and population; (4) in the event proceeds of such proposed Series of Bonds will be used to pay interest on such proposed Series, one hundred percent (100%) of the interest that will accrue on such Series of Bonds during

the first twelve (12) full months following the date of delivery of the proposed Series and that will be paid from such proceeds, provided however that any such interest accruing in such twelve month period that is to be paid on a date within the Fiscal Year of maximum Annual Principal and Interest Requirement shall not be so added into such Net Earnings; and (5) in the event proceeds of such proposed Series of Bonds will be used to construct or to acquire improvements to or an expansion of the System and to the extent not included by sub-paragraph (3), one hundred percent (100%) of estimated Net Earnings to be received by the System in the first Fiscal Year following the completion of such project, certified by the Consulting Engineers, from customers under long-term contracts which extend for the life of such proposed Series of Bonds; or

(b) (i) Net Earnings during the most recent Fiscal Year for which audited financial statements of the System are completed shall be certified by the Accountants or by the Consulting Engineers on the basis of such audited financial statements to be not less than one hundred twenty percent (120%) of the Annual Principal and Interest Requirement during such Fiscal Year on all Bonds Outstanding; provided that for purposes of this Section 4.02(7)(b)(i), such Net Earnings shall be adjusted to reflect (1) any rate increases currently adopted and to be in effect prior to or coincident with the issuance of such proposed Series of Bonds and determined pro forma as though such rate increases had been in continuous effect during such recent Fiscal Year; and (2) in the event a utility, system or enterprise has been or is being acquired by the System other than from the proceeds of the proposed Series of Bonds and whose current customers have become customers of the System prior to the issuance of the proposed Series of Bonds or will become customers of the System concurrently with the issuance of such proposed Series of Bonds, one hundred percent (100%) of the Net Earnings estimated by the Accountants or Consulting Engineers that would have been received by the System during such Fiscal Year if the utility, system or enterprise had been a part of the System during such recent Fiscal Year, taking into account for the estimation of such Net Earnings in this clause (2) only the then-existing customer base and population of the acquired utility, system or enterprise; and

(ii) For each of the five (5) Fiscal Years following the later of the date of the delivery of the Bonds of such Series, or the period (if any) for which interest is funded from the proceeds of such Bonds, Net Earnings, as shall have been forecasted by Consulting Engineers, will be not less than one hundred twenty percent (120%) of the Annual Principal and Interest Requirement on all Bonds then proposed to be Outstanding in each of such five (5) Fiscal Years.

Whenever subsections (a) or (b) above require a certification for the most recent Fiscal Year for which audited financial statements are available, the Authority may, in its discretion, provide for a special audit and a certification based upon such special audit, in lieu of the audit for such Fiscal Year, provided such special audit covers twelve (12) consecutive calendar months of the eighteen (18) full consecutive calendar months preceding the date of issuance of the proposed Series of Bonds.

In addition, in the event the aggregate principal amount of the proposed Series of Bonds to be issued shall not exceed \$1,000,000, any certifications, estimates or forecasts otherwise

required to be made pursuant to this paragraph (7) by the Accountants or the Consulting Engineers may be made instead by the chief operating officer of the Authority.

(8) In lieu of compliance with Section 4.02(7) hereof, in the case of a Series or a portion of a Series of Bonds issued for the purpose of refunding any Bonds, the Annual Principal and Interest Requirements of the refunding Bonds shall not exceed the Annual Principal and Interest Requirements of the refunded Bonds for any Fiscal Year until a time subsequent to the last maturity of Bonds issued prior to the issuance of such refunding Bonds which are not refunded and which remain Outstanding following the issuance of the refunding Bonds.

(9) If any Series of Bonds shall contain Variable Rate Bonds:

(a) The Series Resolution shall provide for and specify a maximum interest rate on (i) such Bonds and (ii) any reimbursement obligation to a liquidity provider for such Bonds;

(b) Any liquidity provider for such Bonds shall be rated in at least the second-highest short-term rating category by either Moody's or S&P; and

(c) Any accelerated principal payments or any interest computed at a rate in excess of that on such Bonds due to the liquidity provider for such Bonds pursuant to any reimbursement agreement with such liquidity provider shall be subordinate to the payment of debt service on all Bonds; provided, however, if the tests referred to in Section 4.02(7) or 4.02(8), as the case may be, of this Bond Resolution are calculated (and met) assuming such accelerated principal payment and such excess interest amount to the liquidity provider, then such accelerated principal payment and excess interest amount may be on a parity with the payment of debt service on all Bonds.

(10) All amounts then due under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof shall have been paid.

Section 4.03. Reliance Upon Certificates. The Authority, the Trustee and any purchaser of any Bonds shall be entitled to rely in good faith upon reports of Accountants or certificates of the Consulting Engineers, made pursuant to any provision of this Article.

Section 4.04. Execution of Bonds.

(A) Unless otherwise prescribed by any Series Resolution, the Bonds shall be executed in the name of and on behalf of the Authority by the Chairman, the corporate seal of the Authority shall be impressed or reproduced thereon and the same shall be attested by the Secretary. Such officers may employ facsimiles of their signatures.

(B) In case any officer whose signature or facsimile signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office.

Section 4.05. Authentication. Only such Bonds as shall have endorsed thereon a certificate of authentication duly executed by the Trustee or the Registrar shall be entitled to any right or benefit under this Bond Resolution. No such Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee or Registrar, and such executed certificate of the Trustee or Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Bond Resolution. The Trustee's certificate of authentication on any such Bond shall be deemed to have been duly executed by it if signed by any authorized officer of the Trustee or by any authorized officer of the Registrar.

Section 4.06. Medium of Payment. The Bonds shall be payable with respect to principal, interest, and premium, if any, in lawful money of the United States of America.

Section 4.07. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Authority may execute and the Trustee may authenticate a new Bond of the same Series of like date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Authority and to the Trustee evidence of such loss, theft or destruction satisfactory to the Authority and the Trustee together with indemnity satisfactory to them. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the Authority may pay the same. The Authority and the Trustee may charge the Holder or owner of such Bond with their reasonable fees and expenses in this connection.

Section 4.08. Transfer and Registry; Persons Treated as Owners.

(A) As long as any Bonds in registered form shall be Outstanding, the Authority shall cause books for the registration and for the transfer of such Bonds to be kept. Such books shall be kept by the Trustee unless there shall have been appointed a Registrar other than the Trustee to keep the books of registration for any particular Series of Bonds. The transfer of each such Bond may be registered only upon the registration books of the Authority kept for that purpose by the registered owner thereof in person or by his duly authorized attorney upon surrender thereof and an assignment with a written instrument of transfer satisfactory to the Trustee or the Registrar, as the case may be, duly executed by the registered owner or his duly authorized attorney. Upon the registration or transfer of any registered Bond, the Authority shall cause to be issued, subject to the provisions of Section 4.11 hereof, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, maturity and interest rate as the surrendered Bond.

(B) The Authority, the Trustee, and any Registrar may deem and treat the person in whose name any registered Bond shall be registered upon the registration books of the Authority as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium (if any) and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or, upon his order, shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid; and none of the Authority, the Trustee and any Registrar shall be affected by any notice to the contrary.

(C) Notwithstanding anything in paragraphs (A) and (B) of this Section 4.08 to the contrary, Bonds may be issued in the form of contractual obligations which are not instruments and which may be transferred as provided in such contracts.

Section 4.09. Date and Payment Provisions. Unless otherwise provided in any Series Resolution with respect to Bonds issued thereunder, each Bond of a Series shall be authenticated on such dates as it shall, in each case, be delivered. Each Bond shall bear interest from the Date of Issue if no interest has yet been paid; otherwise from the last date to which interest has been paid and which date is on or prior to the date of such Bond's authentication.

Owners of at least \$1,000,000 principal amount of Bonds may, by written notice containing wiring instructions filed with the Trustee at least twenty (20) days prior to any Bond Payment Date, provide for the payment of the interest on such Bonds by wire transfer to an account at a bank located in the continental United States.

Section 4.10. Transferability of Bonds. Bonds of a Series, upon surrender thereof at the office of the Trustee or the Registrar, as the case may be, for the Bonds of such Series with a written instrument of transfer satisfactory to the Trustee or the Registrar, duly executed by the Holder or his duly authorized attorney, may, at the option of the Holder and upon payment by such Holder of any charges made pursuant to Section 4.11 hereof, be exchanged for an equal aggregate principal amount of Bonds of such Series of like maturity and interest rate of any other authorized denominations.

Section 4.11. Regulations With Respect to Exchanges and Transfer. In all cases in which the privilege of exchanging or transferring Bonds is exercised, the Authority shall execute and the Trustee or the Registrar, as the case may be, shall authenticate and deliver Bonds in accordance with the provisions of this Bond Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee or the Registrar, as the case may be, to the Authority. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Bond Resolution. There shall be no charge to the Holder for such exchange or transfer of Bonds except that the Trustee or the Registrar, as the case may be, may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Trustee or the Registrar, as the case may be, shall be required to register, transfer or exchange Bonds of a Series during the period between a Record Date and its related Bond Payment Date, or during the period beginning fifteen (15) days prior to any selection of Bonds for redemption and ending upon the mailing of any notice of redemption; nor shall either be required to register, transfer or exchange any Bonds called for redemption.

Section 4.12. Cancellation and Destruction of Mutilated, Paid or Surrendered Bonds. Upon the surrender of mutilated Bonds pursuant to Section 4.07 hereof, or Bonds paid or surrendered, the same shall be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate evidencing such destruction shall be furnished by the Trustee or the Registrar, as the case may be, to the Authority. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Bond Resolution.

Section 4.13. Notice of Redemption. If any of the Bonds, or portions thereof, are called for redemption, the Trustee shall give notice to the Holders of any Bonds to be redeemed, in the name of the Authority, of the redemption of such Bonds, or portions thereof. Notice of each redemption of bonds is required to be mailed by the Trustee by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to each Holder of Bonds to be redeemed, at the address of such Holder recorded on the registration books and to be otherwise given in accordance with, among others, the following requirements:

(1) notices must contain, at a minimum, the complete official name of the Bonds, CUSIP number (if less than all Bonds of a Series are to be redeemed), Bond numbers, principal amount of each Bond to be redeemed (if less than all), publication or mailing date, redemption date, redemption price, redemption agent's name and address, Trustee's name and address, date of the Bonds, interest rate, maturity date, the place or places where amounts due will be payable, and any other descriptive information deemed necessary by the Trustee;

(2) notices must be sent to Bondholders of \$1,000,000 or more, to at least two national information services, and any Securities Depository by certified mail--return receipt requested or through the facilities of an Electronic Dissemination Service; notices sent to any Securities Depository must be sent so that such notice is received by such Securities Depository at least two (2) days prior to the mailing of such notices to Bondholders, in addition, any Bondholder holding in excess of \$1,000,000 principal amount of Bonds may request the Trustee to send notices to any reasonable additional addressee specified;

(3) a second notice to registered owners of the Bonds must be mailed by the means specified above to any registered owner of Bonds who has not presented Bonds for redemption sixty (60) days after the redemption date;

(4) notice of redemptions effected by advance refundings must also be given in accordance with the above requirements at least thirty (30) days but no more than sixty (60) days prior to the actual redemption date; and

(5) except with respect to mandatory sinking fund redemptions, no notice of redemption shall be sent unless sufficient funds have previously been deposited with the Trustee to pay the redemption price of the Bonds to be redeemed.

The failure of the Trustee to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds for which notice is properly given. Any Bondholder may waive notice of redemption by delivery of a written waiver to the Trustee.

Any Series Resolution providing for the issuance of Bonds consisting of contractual obligations not in the form of an instrument may provide alternative methods for delivery of notice of redemption.

Provided sufficient funds for such redemption are on deposit with the Trustee, all Bonds so called for redemption shall cease to bear interest on the specified redemption date and shall no longer be deemed to be Outstanding hereunder. If said money shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Section 4.14. Cancellation of Bonds That Have Been Redeemed. All Bonds that have been redeemed shall be cancelled and destroyed by the Trustee and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee to the Authority. All Bonds so destroyed shall thereafter no longer be considered Outstanding for any purposes of this Bond Resolution.

Section 4.15. Selection of Bonds To Be Redeemed. In the event that less than all of the Bonds of any Series are to be redeemed at the option of the Authority, Bonds to be redeemed shall be in such order of maturity as selected by the Authority. In the event of redemption of less than all of the Bonds of a Series of any maturity, the Bonds or portions of Bonds to be redeemed, shall be selected by lot by the Trustee. The portion of any Bond of a denomination which is larger than the minimum denomination for the Bonds of such Series shall be in the principal amount of such minimum denomination or a multiple thereof, and that, in selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of minimum denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by the amount of the minimum denomination; provided further that, if less than all of the beneficial interests in a Bond of a single maturity registered in the name of a Securities Depository or a Securities Depository Nominee are to be redeemed, the beneficial interests to be redeemed shall be selected by lot or in such manner as may be directed by the Securities Depository. If there shall be drawn for redemption less than all of a Bond, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of the same Series in any authorized denomination.

Section 4.16. Restriction on Optional Redemption. Notwithstanding anything in this Bond Resolution to the contrary, no optional redemption of Bonds may occur unless all amounts payable by the Authority owing under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof shall have been paid in full, unless notified to the contrary by such provider.

Section 4.17. Purchase of Bonds. The Trustee shall, if and to the extent practicable, purchase Bonds at the written direction of the Authority at such time, in such manner and at such price as may be specified by the Authority. The Trustee may so purchase Bonds for cancellation with any money then held by the Trustee which is available for the redemption or purchase of Bonds and in excess of that set aside for the payment of Bonds called for redemption; provided, that the Trustee is provided with an opinion of Bond Counsel to the effect that such redemption or purchase complies with any limitations or restrictions on such redemption or purchase contained in this Bond Resolution.

Section 4.18. Security for Payment of Bonds; Priority of Lien. The Bonds shall be payable solely from and shall be secured by a pledge of and a lien upon the Gross Revenues of the System. Such pledge and lien securing the Bonds at all times and in all respects shall be and remain superior to pledges and liens made to secure any other bonds or other obligations payable from the revenues of the System. The Bonds shall not constitute an indebtedness of the Authority within the meaning of any provision, limitation or restriction of the Constitution or the laws of the State, other than those provisions authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license; and the faith, credit and taxing power of the Authority are expressly not pledged therefor. The Authority is not obligated to pay any of the Bonds or the interest thereon except from the Gross Revenues of the System.

Section 4.19. Bonds in Book-Entry Form. Notwithstanding any other provision of this Bond Resolution with respect to the form of Bonds to the contrary, the Authority is hereby authorized to provide by Series Resolution for the issuance of one or more Series of Bonds solely in fully registered form registrable to a Securities Depository, a Securities Depository Nominee or the beneficial owner of the Bonds. The Authority is further authorized to provide by Series Resolution that such Series of Bonds shall be evidenced by one or more certificates or by a system of book entries in form satisfactory to the

Authority Representative and to provide for payment, redemption, notices and like provisions in a manner consistent with such system of registration.

Section 4.20. Waiver of Certain Provisions. Notwithstanding anything in this Bond Resolution to the contrary, whenever all of the debt issued or all of the obligations incurred by the Authority under a Series Resolution are acquired by and are held by a single entity, that single entity, at its sole option, may waive any provision or requirement of this Bond Resolution that relates separately to the governance of such Series and is for the protection and benefit of such single entity only and not for the protection or benefit of any other Holder or Holders of Bonds; provided that if such Series of Bonds is insured by an Insurer, then any such waiver shall require the prior written approval of such Insurer.

Section 4.21. Bonds not in the Form of an Instrument. In the event that the Authority issues any Series of Bonds which are contractual obligations not in the form of an instrument, the provisions regarding redemption or prepayment of such Bonds, notices to Bondholders and transfers of such Bonds contained herein may be altered or supplemented by the provisions of the Series Resolution pursuant to which such Bonds are issued or the contract pursuant to which such obligations are created.

Section 4.22. Bonds Issued as Taxable Obligations. Notwithstanding anything in this Bond Resolution to the contrary, the Authority may from time to time, pursuant to one or more Series Resolution, provide for the issuance of Bonds the interest on which may be includable in gross income of the Holders of such Bonds for federal income taxation purposes. In such event, such Bonds may, at the option of the Authority, be issued as coupon bonds, payable to bearer, as provided in the applicable Series Resolution. Such Series Resolution shall provide such rules and regulations with respect to the ownership, transfer and substitution of such Bonds as are not inconsistent with the other provisions of this Bond Resolution.

[End of Article IV]

ARTICLE V RATES AND CHARGES

Section 5.01. Rate Covenant.

(A) It is hereby determined that the rates for services and facilities furnished by the System shall, until otherwise revised pursuant to the provisions of this Bond Resolution, be as now established. Said rates and charges are determined to be sufficient to meet the requirements of this Bond Resolution but they shall be revised whenever necessary in order that they shall at all times be maintained on a basis sufficient to meet the requirements of this Bond Resolution, and the Authority specifically covenants and agrees to maintain rates and charges for all services furnished by the System which shall at all times be sufficient:

(1) To provide for the punctual payment of the principal of and interest on all Bonds and all Junior Lien Bonds that may from time to time hereafter be Outstanding;

(2) To maintain the Debt Service Funds and thus provide for the punctual payment of the principal of and interest on the Bonds;

(3) To maintain the Debt Service Reserve Funds in the manner herein prescribed;

(4) To provide for the payment of the Operation and Maintenance Expenses;

(5) To build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order;

(6) To pay all amounts owing under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof; and

(7) To discharge all obligations imposed by the Enabling Act and by this Bond Resolution.

(B) The Authority covenants and agrees that it will, at all times, prescribe and maintain and thereafter collect rates and charges for the services and facilities furnished by the System which, together with other income, are reasonably expected to yield annual Net Earnings in the current Fiscal Year equal to at least the sum of (i) one hundred ten percent (110%) of the Annual Principal and Interest Requirement for all Series of Bonds Outstanding in such Fiscal Year plus (ii) one hundred percent (100%) of the amount necessary to make payment of any amounts owing in such Fiscal Year under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof plus (iii) one hundred percent (100%) of the principal and interest on Junior Lien Bonds, or the capital costs pursuant to the provisions of long-term contracts which the Authority has entered into in order to provide water or sewer services to the areas included within its service area, due in such Fiscal Year plus (iv) one hundred percent (100%) of any required payment into a Debt Service Reserve Fund due in such Fiscal Year; and, promptly upon any material change in the circumstances which were contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, shall review the rates and charges for its services

and shall promptly revise such rates and charges as necessary to comply with the foregoing requirements. Prior to the beginning of each Fiscal Year, the Authority shall adopt an Annual Budget including amended rate schedules for such Fiscal Year which shall set forth in reasonable detail the estimated revenues and operating expenses and other expenditures of the System for such Fiscal Year which shall include the amount to be deposited during such Fiscal Year in the Depreciation and Contingent Fund. The Authority may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

[End of Article V]

ARTICLE VI
JUNIOR LIEN BONDS
AND SPECIAL FACILITIES BONDS

Section 6.01. Right to Issue Junior Lien Bonds; Accession Thereof to Status of Bonds. Notwithstanding that Bonds may be Outstanding, the Authority may at any time, and without limitation and free of all conditions issue Junior Lien Bonds, in such amount as it may from time to time determine, payable from the revenues of the System, provided that the pledge of revenues and any lien upon the revenues of the System granted for the protection of said Junior Lien Bonds, shall at all times be and remain subordinate and inferior in all respects to the pledges of revenues and liens upon such revenues made or authorized for the Bonds and to the payment of all Operation and Maintenance Expenses; and provided, further, that the maturity of Junior Lien Bonds may not be accelerated and paid in full unless all of the Bonds shall have been paid or provision therefor has been made pursuant to Article XVI hereof.

By proceedings authorizing the issuance of Junior Lien Bonds, the Authority may provide for the accession of such Junior Lien Bonds to the status of Bonds provided all of the following conditions are met:

(1) The Junior Lien Bonds were issued for a purpose or purposes set forth in Section 4.01(A) hereof.

(2) There shall exist on the date of accession (a) no default in the payment of the principal of or interest on any Bonds or any Junior Lien Bonds then Outstanding, (b) no default in the performance of any duties required under the provisions of this Bond Resolution and (c) no amount owed by the Authority with respect to the full funding of a Debt Service Reserve Fund, either by way of cash or reimbursement of any other funding mechanism, except in accordance with Section 4.02(6)(a) hereof.

(3) The Authority shall obtain an opinion of Bond Counsel to the effect that (a) this Bond Resolution and the proceedings authorizing such Junior Lien Bonds have been duly adopted and are in full force and effect; (b) the Junior Lien Bonds have been duly and lawfully authorized and executed by the Authority and are valid and binding upon, and enforceable against, the Authority (except to the extent that the enforceability thereof may be limited by the operation of bankruptcy, insolvency and similar laws affecting rights and remedies of creditors); and (c) this Bond Resolution creates the valid pledge which it purports to create of the revenues and of moneys and securities on deposit in any of the funds established hereunder subject to the application thereof to the purposes and on the conditions permitted by this Bond Resolution.

(4) There shall be deposited in the Debt Service Fund for such Series of newly-acceded Bonds the amounts which would have been required under the provisions of Section 8.02 hereof to be accumulated therein on the date of accession if said Junior Lien Bonds had originally been issued as Bonds.

(5) In the event such proceedings require a Reserve Requirement to be maintained for such Series of newly-acceded Bonds, then in such event, there shall be on deposit on the date of accession in a Debt Service Reserve Fund an amount equal to the Reserve Requirement for such Junior Lien Bonds which are being acceded to the status of Bonds.

(6) On the date of accession, the earnings tests prescribed by subparagraphs 7(a) or 7(b) of Section 4.02 shall have been met.

(7) In the event such Junior Lien Bonds were issued with variable rates, the provisions of subparagraph (9) of Section 4.02 shall have been met.

Section 6.02. Right to Issue Special Facilities Bonds. The Authority shall have at all times the right to enter into contracts, leases or other agreements pursuant to which it will agree to construct, operate and pay the costs of Special Facilities to be financed by its issuance of Special Facilities Bonds, subject to the following conditions:

(A) It shall have been determined to the satisfaction of the Authority that the rents, revenues or receipts to be derived from the Special Facilities shall be at least equal to the principal, interest and any reserve requirements contained in the resolution authorizing such Special Facilities Bonds and to pay all operation, maintenance and other costs and expenses applicable to such Special Facilities; and

(B) The revenues derived from Special Facilities need not be deposited in the General Revenue Fund, and may be pledged to secure Special Facilities Bonds; but no debt service or other costs or expense related to any Special Facilities may be paid from System revenues deposited in the General Revenue Fund except pursuant to Section 8.08 hereof.

For purposes of this Section 6.02, the term "Special Facilities" shall include all or a portion of water or sewer (or those enterprises, if any referred to in Section 11.02 hereof) facilities and rights to all or a portion of the use of, or the capacity available from, any such facilities.

Section 6.03. Lease Financing Agreements. The Authority shall have at all times the right to enter into capital leases or other lease financing agreements secured by a lien on the property, plant and equipment comprising a part of the System; provided, however, that the aggregate principal amount of such obligations outstanding at any time shall not exceed ten percent (10%) of the property, plant and equipment of the System less accumulated depreciation as shown on the audited balance sheet of the System for the most recent Fiscal Year for which audited financial statements are available.

[End of Article VI]

ARTICLE VII ESTABLISHMENT OF FUNDS

Section 7.01. Requirement for Special Funds. For so long a time as any sum remains due and payable by way of principal or interest on Bonds, the following funds or accounts relating to the Gross Revenues of the System shall be established and maintained, and deposits shall be made therein in the manner herein required.

Section 7.02. The General Revenue Fund.

(A) There shall be established and maintained by the Authority a fund or account designated as the General Revenue Fund. This account shall be so maintained as to reflect accurately:

- (1) the Gross Revenues of the System; and
- (2) the Net Earnings.

(B) Except as otherwise specifically directed or permitted herein, all Gross Revenues of the System shall be deposited in accordance with and in the manner prescribed by Article VIII hereof into the General Revenue Fund. Money in the General Revenue Fund shall be withdrawn and made use of only in the manner and in the order of priority specified in Article VIII hereof. So long as the Authority establishes, from an accounting standpoint, proper records of receipts and disbursements for the General Revenue Fund, the General Revenue Fund may be used for the purposes of the Operation and Maintenance Fund and for purposes of the Depreciation and Contingent Fund.

Section 7.03. The Debt Service Funds.

(A) There shall be established and maintained by the Trustee a Debt Service Fund for each Series of Bonds Outstanding. The respective Debt Service Funds are intended to provide for the ratable payment of the principal of, redemption premium, if any, and interest on the respective Series of Bonds as the same respectively fall due. Payments into such Funds shall be made in the manner prescribed by this Bond Resolution, including the applicable provisions of Article VIII, and, except as herein provided, all money in the respective Debt Service Funds shall be used solely to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds, and for no other purpose. Each Debt Service Fund shall bear a number Series designation as may be necessary to distinguish each Debt Service Fund.

(B) The Debt Service Funds shall be kept in the complete custody and control of the Trustee and withdrawals from the Debt Service Funds shall be made only by such Trustee who shall transmit to each Bondholder, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the respective Series of Bonds to the extent such sums are on deposit therein. Amounts held by the Trustee due to non-presentment of Bonds on any redemption date must be retained by the Trustee for a period of at least one year after the final maturity of such Bonds.

(C) Money in the Debt Service Funds shall be invested and reinvested by the Trustee at the written direction of the Authority Representative in Authorized Investments, maturing not later than the date on which such money is required to pay the principal of, premium, if any, and interest next maturing.

All earnings from such investments shall be added to and become a part of the Debt Service Fund in which such investments are held, but shall be credited against payments that would otherwise be made to such Debt Service Fund pursuant to the provisions of Section 8.02 hereof.

Section 7.04. The Debt Service Reserve Funds.

(A) Each Series Resolution may create a Debt Service Reserve Fund for the Series of Bonds authorized thereby. Any such Debt Service Reserve Fund shall be for the equal and ratable benefit only of Bonds of that Series. Each such Debt Service Reserve Fund is intended to insure the timely payment of the principal of, and premium, if any, and interest on, that Series of Bonds, and to provide for the redemption of such Bonds prior to their stated maturities. Any Debt Service Reserve Fund shall be maintained in an amount equal to the Reserve Requirement established by the Series Resolution for such Series of Bonds. Money in a Debt Service Reserve Fund shall be used for the following purposes, and for no other:

(1) To prevent a default in the payment of the principal of or interest on that Series of Bonds, by reason of the fact that money in its Debt Service Fund is insufficient for such purposes;

(2) To pay the principal of, interest on, and redemption premium of the Bonds of that Series in the event that all Outstanding Bonds of that Series be redeemed as a whole; or

(3) To effect partial redemption of the Bonds of that Series; but subject to the restrictions of Section 4.15 hereof and provided that subsequent to said partial redemption, the market value of the cash and securities in the Debt Service Reserve Fund shall be not less than the Reserve Requirement therefor.

The requirements for and provisions governing any Debt Service Reserve Fund in the remainder of this Bond Resolution shall, in references to "the Debt Service Reserve Fund", "the Reserve Requirement", the "Debt Service Fund(s)" and "the Bonds", be deemed to refer to each such Debt Service Reserve Fund created by a Series Resolution and in each case to the respective Reserve Requirement and Debt Service Fund for the respective Series of Bonds, and to Bonds only of that respective Series and not to any other Bonds.

(B) Each Debt Service Reserve Fund shall be kept in the complete custody and control of the Trustee. Withdrawals therefrom shall be made only by the Trustee who shall transmit to the Bondholders, at such times as may be appropriate, the sums required to pay the principal of, redemption premium, if any, and interest on the Bonds to the extent such sums are on deposit therein.

(C) Money in a Debt Service Reserve Fund shall be invested and reinvested by the Trustee at the written direction of the Authority Representative or his designee in Authorized Investments. Subject to the remaining provisions of this paragraph (C), the earnings from such investments shall be added to and become a part of the Debt Service Reserve Fund. If as of any date of calculation, the market value of the securities and money in a Debt Service Reserve Fund shall exceed its Reserve Requirement, such excess shall either be used to effect partial redemption of Bonds of that Series, or shall be removed from such Debt Service Reserve Fund and transferred into the applicable Debt Service Fund, as directed in writing to the Trustee by the Authority Representative.

(D) Notwithstanding anything in this Bond Resolution to the contrary, the Authority, in lieu of the deposit of moneys into a Debt Service Reserve Fund, may satisfy the Reserve Requirement by causing to be so credited an irrevocable and unconditional surety bond or insurance policy payable to the Trustee for the benefit of the Holders of the Bonds of a Series or an irrevocable and unconditional line of credit or letter of credit in an amount which together with other moneys on deposit in such Debt Service Reserve Fund is equal to the Reserve Requirement therefor.

Section 7.05. The Operation and Maintenance Fund. There shall be established and maintained by the Authority an Operation and Maintenance Fund. The Operation and Maintenance Fund is intended to provide for the payment of the Operation and Maintenance Expenses. Withdrawals from the Operation and Maintenance Fund shall be made by or on the order of the Authority Representative in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Section 7.06. The Depreciation and Contingent Fund.

(A) There shall be established and maintained by the Authority a Depreciation and Contingent Fund. This Fund shall be maintained in an amount to be established by budget not less frequently than annually (and as such budget may be amended or modified during the course of any Fiscal Year) by the Authority in order to provide a reasonable reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions of the System.

(B) Money in this fund shall be used solely:

- (1) For the purpose of restoring depreciated or obsolete items of the System;
- (2) For improvements, betterments and extensions to the System, other than for those things which are reasonably necessary to maintain the System in good repair and working order;
- (3) To defray the cost of unforeseen contingencies and extraordinary repairs;
- (4) To prevent defaults of Bonds and Junior Lien Bonds; and
- (5) For optional redemption of Bonds or Junior Lien Bonds.

(C) Withdrawals from this Fund shall be made by or on order of the Authority.

Section 7.07. Capitalized Interest Accounts. There may be established with the Trustee a capitalized interest account to provide for the payment of interest on the Bonds of a particular Series. Any such account shall be created by the Series Resolution relating to the issuance of the Bonds of such Series. The Series Resolution shall provide for the disposition of any earnings from the investment of the funds in any such capitalized interest account.

Section 7.08. Investments of Funds. Whenever, in the opinion of the Authority, it becomes desirable to invest money in any of the funds established by this Article (other than the Debt Service Reserve Funds and the Debt Service Funds for which provisions are made above) the Authority may make Authorized Investments. In the event the Authority directs the Trustee in writing to so invest, the Trustee shall act in compliance with such directions, subject to the provisions of this Bond Resolution. Earnings resulting from the investment of money in a particular fund shall be deposited into the General Revenue

Fund (i) except as provided in Sections 7.03, 7.04 and 7.07 hereof and (ii) unless the Authority shall have determined pursuant to the Annual Budget that any such earnings on amounts in the Depreciation and Contingent Fund shall remain therein.

[End of Article VII]

ARTICLE VIII DISPOSITION OF REVENUES

Section 8.01. Deposits to General Revenue Fund; Dispositions Therefrom. The Gross Revenues of the System excluding that money the disposition of which is controlled by other provisions of this Bond Resolution, are declared to be a part of the General Revenue Fund and shall be, as received, deposited into the General Revenue Fund. The dispositions from the General Revenue Fund required by the remaining Sections of this Article shall be made on or before the tenth (10th) Business Day of each month following the delivery of the first Series of Bonds issued pursuant to this Bond Resolution and in the order of priority established by the sequence of the remaining Sections of this Article.

Section 8.02. Payments for Bonds. Provision shall be made for the payment of the principal of and interest on all Bonds then Outstanding, all without priority of any Bonds over others but ratably as to each Series of Bonds. To that end:

(1) There shall be deposited into the respective Debt Service Funds the monthly fraction of the aggregate amount of interest to become due on the respective Series of Bonds on the next ensuing interest payment date; provided, however, that if provision has been made for the payment of all or part of the next installment of interest to become due on any particular Series of Bonds, pursuant to any other provision of this Bond Resolution, or any Series Resolution, or by reason of investment earnings, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.

(2) There shall be deposited into the respective Debt Service Funds the monthly fraction of the aggregate amount of principal of the respective Series of Bonds becoming due and payable on the next ensuing principal maturity date (whether at stated maturity or by sinking fund installments), so that on each principal maturity date, the amount of principal to be paid shall have been accumulated and be on hand; provided, however, that if provision has been made for the payment of all or part of the next installment of principal to become due on a Series of Bonds, pursuant to any other provision of this Bond Resolution, or any Series Resolution, or by reason of investment earnings, then, in such event, the deposits required by this paragraph may be omitted, or reduced accordingly.

(3) If, on the occasion when the deposits required by paragraphs (1) and (2) of this Section are to be made, the sum total of the deposits required thereby plus previous monthly deposits and the remaining deposits to be made prior to the next succeeding principal and interest payment dates, will be less than the sum required to effect the payment of the next succeeding installment of either principal or interest, or both, as the case may be, a sum equal to such deficiency shall be added to the deposits so to be made.

Section 8.03. Deposits for the Debt Service Reserve Funds; Valuation.

(A) Deposits shall next be made in the amounts required by this Section 8.03 into the respective Debt Service Reserve Funds. The market value of the cash and securities in each Debt Service Reserve Fund shall be calculated by the Trustee as of each Bond Payment Date (such calculation to be made within forty-five (45) days after such Bond Payment Date), in order to determine if the Debt Service Reserve Fund contains the Reserve Requirement therefor, and the extent to which payments therefor or withdrawals therefrom must be made, and the timing thereof, pursuant to this Bond Resolution and the respective Series Resolutions. Unless a Debt Service Reserve Fund then contains in cash and securities (or a surety bond, insurance policy, line of credit or letter of credit as provided in Section 7.04 hereof)

an amount at least equal to its Reserve Requirement, there shall be paid into such Debt Service Reserve Fund on the last Business Day of each of the twelve (12) months following a determination of a deficiency in such Debt Service Reserve Fund one-twelfth (1/12) of the amount necessary to re-establish in such Debt Service Reserve Fund its Reserve Requirement; provided, however, nothing herein shall preclude the Authority from fully re-establishing such Reserve Requirement in a more timely fashion than as so prescribed. Any surety bond, line of credit, insurance policy or letter of credit being used to meet the Reserve Requirement of a Debt Service Reserve Fund shall be valued at the amount still remaining to be drawn thereon; and in the event that any such surety bond, line of credit, insurance policy or letter of credit has been drawn upon, the amount necessary to restore the stated amount thereof (including without limitation amounts necessary to pay any interest thereon and related costs of the provider payable under any reimbursement agreement between the Authority and the provider) shall be paid by the Authority in the same manner and on a parity with the payments described in this Section 8.03.

(B) The market value of any Authorized Investments in a Debt Service Reserve Fund shall be calculated by the Trustee as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not published therein, then in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to the time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at the time of determination for such investments by any two (2) nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

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

(iv) as to any investment not specified above: the value thereof established by prior agreement between the Authority and the Trustee and, with respect to any insured Series of Bonds, the Insurer.

Section 8.04. Deposits for Operation and Maintenance Fund. There shall be deposited in the Operation and Maintenance Fund the amount necessary for the ensuing month for the payment of all Operation and Maintenance Expenses. Such payments shall be made by or on the order of the Authority in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Section 8.05. Payments for Junior Lien Bonds. Provision shall then be made for the payment of any other indebtedness which is junior and subordinate to the Bonds in the order of priority contemplated by the proceedings authorizing their issuance.

Section 8.06. Deposits for the Depreciation and Contingent Fund. There shall be transferred by the Authority into the Depreciation and Contingent Fund that sum which is one-twelfth (1/12) of the sum which has been currently determined by the Authority to be the budgeted requirements therefor for the then current Fiscal Year.

Section 8.07. Use of Surplus Money. All money remaining after making the payments required by Sections 8.01 to 8.06 hereof, shall be used for the maintenance or improvement, or payment of debt payable from the revenues, of the System or for the payment of Special Facilities Bonds, as determined from time to time by the Authority.

[End of Article VIII]

ARTICLE IX
AGREEMENT TO FURNISH
INFORMATION WITH RESPECT TO SYSTEM

Section 9.01. Keeping Records. The Authority recognizes that those who may from time to time hereafter be Bondholders will, throughout the life of the Bonds, require full information with respect to the System, the fiscal affairs of the System, and all matters incident to each. To that end the Authority hereby covenants and agrees that it will install and thereafter at all times maintain proper books of records and accounts, separate and distinct from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the System, and all revenues and receipts derived therefrom, directly or indirectly. Such books and records shall be kept in such fashion as to reveal in detail:

- (A) The number of customers who may from time to time make use of the System;
- (B) The Gross Revenues of the System and the source from whence derived;
- (C) All expenses incurred in the operation of the System suitably identified as to purpose;
- (D) The Net Earnings of the System;
- (E) All expenditures made from the several funds and accounts established by this Bond Resolution, and Series Resolutions authorizing the issuance of the Bonds; and
- (F) The rate schedules that may from time to time be in force.

Section 9.02. Audit Required. The Authority further covenants and agrees that so long as any Bonds are Outstanding, it will, not later than one hundred and eighty (180) days after the close of each Fiscal Year, cause to be made and completed by the Accountants, an audit of the records, books and accounts pertaining to the System, made in accordance with recognized accounting practices, showing, among other things, Gross Revenues and Net Earnings; and that, within thirty (30) days after receipt of such audit, it will furnish a copy of such audit to the Trustee. Such audit shall contain comment upon any violation of any provision of any resolution authorizing the issuance of any Bonds or Junior Lien Bonds and any violation of any provision of this Bond Resolution noted by the auditing accountants, and such other matters as to them seem pertinent.

[End of Article IX]

ARTICLE X INSURANCE

Section 10.01. Requirement of Insurance. The Authority covenants and agrees that so long as any Bonds are Outstanding:

(A) That it will insure and at all times keep the System insured against physical loss or damage with a responsible insurance company or companies, authorized and qualified under the laws of the State, to assume the risks insured against, in such amount as private corporations engaged in similar endeavors would customarily insure for;

(B) That it will secure adequate fidelity bonds (blanket or individual) of a surety company doing business in the State, indemnifying the Authority against defalcation of all persons handling money derived from the System or signing checks on any bank accounts relating to the System, other than the Trustee or the Registrar;

(C) That all premiums on all bonds or insurance policies shall be deemed a part of the cost of operating and maintaining the System;

(D) That all insurance policies shall be open to the inspection of any Bondholder at any reasonable time;

(E) That all money received by the Authority as a consequence of any defalcation, covered by any fidelity bond, shall be used to restore the fund depleted by the defalcation. All sums received by the Authority from insurance policies covering the System may, to the extent necessary, be applied to the repair and replacement of the damaged or destroyed property, but, in the event that such money is not used for such purposes, then the same shall be deposited in the Depreciation and Contingent Fund; and

(F) That it will comply with the requirements of State law regarding the mandatory purchase of liability insurance contained in Section 15-78-140(b) of the South Carolina Code or any successor statute.

[End of Article X]

ARTICLE XI
ADDITIONAL COVENANTS

Section 11.01. Additional Covenants to Secure Bonds. The Authority further covenants and agrees that:

(A) It will operate and maintain the System in good condition and will collect and charge such rates for the services and facilities of the System, so that the income and revenues of the System will be sufficient at all times to meet the requirements of this Bond Resolution.

(B) Neither the System, nor any part thereof, nor any of the revenues derived from the System, have been or will be hypothecated, mortgaged, otherwise pledged or encumbered, save and except in accordance with the provisions hereof;

(C) It will permit no free service to be rendered, or use to be made of the services and facilities of the System, and for the services and facilities of the System used by the Authority, the reasonable cost and value of such services and facilities shall be paid as such services accrue. The revenue so received from the Authority shall be deemed revenue derived from the operation of the System, and shall be accounted for in the same manner as other revenues of the System;

(D) It will permit no customer to be connected to the System, or to receive any service afforded by the System, unless a proper meter shall be installed or account otherwise established, and such customer shall become obligated to pay for the service rendered at the appropriate rate according to the rate schedule then in force;

(E) So long as there are any Bonds Outstanding and unpaid, it will perform all duties with reference to the System required by the Constitution and statutes of the State;

(F) It will permit, so long as there are any Bonds Outstanding, any Bondholder to inspect the System and all records and accounts thereof under reasonable terms and conditions and after reasonable notice has been given;

(G) It will not make any use, and it shall direct the Trustee and each Fiduciary not to make any use of the proceeds of any Series of Bonds which Bonds were intended upon the issuance thereof to be exempt from federal income taxation, which, if such use had been reasonably expected on the date of the issuance of the Bonds of such Series would have caused such Bonds or any other Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and will observe and not violate the requirements of Section 148 of the Code;

(H) As to any Series of Bonds that was intended at the time of their issuance to be exempt from federal income taxation, it will take all actions required of it under the Code that are necessary to preserve the tax-exempt status of such Series of Bonds, including without limitation, actions necessary to comply with all information reporting requirements and any obligation to rebate arbitrage earnings on the proceeds of such Bonds to the United States Government; and

(I) It will make all payments or deposits required under Articles VII and VIII of this Bond Resolution in a timely manner.

Section 11.02. Acquisition of Additional Utilities or Enterprises. No provision of this Bond Resolution shall prevent the combining of the System with any other utility system or enterprise of whatever type if such combination then be permitted or authorized by the provisions of the South Carolina Code and if the requirements set forth below are met; but no such combination shall impair the validity or priority of the pledge of revenues and the lien thereon created by this Bond Resolution, or otherwise enlarge the provisions of this Bond Resolution relating to the issuance of and securing of Bonds. The Authority shall have the right from time to time to add other utilities, enterprises, activities and facilities (which at the date of adoption of this Bond Resolution were not included in the definition of System hereunder) to the definition of System hereunder, provided that:

(A) the members of the Authority shall have determined by appropriate resolution that such utilities, enterprises, activities or facilities are of a similar public utility nature as are the utilities now constituting the System;

(B) the members of the Authority shall have adopted an appropriate amendatory resolution to this Bond Resolution;

(C) the Authority shall have received an opinion of Bond Counsel to the effect that such action to be taken under this Section is authorized under this Bond Resolution and the laws of the State and will not adversely affect the excludability of interest on the Bonds which were intended upon their issuance to be exempt from federal income taxation; and

(D) for each of the five (5) Fiscal Years following the date of the additions to the System, Net Earnings, as shall have been forecasted either by Consulting Engineers with a reputation for expertise in the type of enterprise being added to the System or by Accountants, will be not less than one hundred twenty percent (120%) of the Annual Principal and Interest Requirements on all Bonds then proposed to be Outstanding in each of such five (5) Fiscal Years; provided, however, that in the event that Bonds are being issued to acquire or improve the acquired utility or enterprise, this paragraph (D) shall not apply and the Authority shall meet the requirements of Article IV hereof before issuing such Bonds and acquiring such utility or enterprise.

Section 11.03. Removal of Component or Enterprise from the System. The Authority may at any time remove an entire component or enterprise from the System provided the following conditions are met:

(a) a resolution of the members of the Authority shall be adopted describing, in reasonable detail, the component or enterprise of the System to be removed from the System and the rationale for its removal and providing that such component or enterprise will no longer be part of the System;

(b)(1) a certificate by the Accountants or Consulting Engineers shall be delivered stating that the Authority would have been in compliance with the rate covenant set forth in Section 5.01(B) hereof for the last Fiscal Year for which audited financial statements are available exclusive of that portion of the Net Earnings derived from the component or enterprise to be removed from the System or (2) a report by the Consulting Engineers stating that, in the best judgment of such Consulting Engineers, the removal of such component or enterprise would not materially adversely affect the ability of the Authority to comply with the rate covenant set forth in Section 5.01(B) hereof for the current and next succeeding Fiscal Year;

(c) an opinion of Bond Counsel shall be delivered to the effect that the removal of an enterprise or component of the System from the System has been effected in accordance with the terms of this Bond Resolution; and

(d) there shall be provided evidence (in the form of a letter or certificate) from any rating agency then rating any Series of Bonds that the removal of such component or enterprise from the System would not result in the ratings on any Series of Bonds being suspended or downgraded below "investment grade" by the rating agency then rating such Series of Bonds.

If any component or enterprise of the System to be removed from the System will be sold, exchanged or disposed of by the Authority in connection with such removal from the System, the proceeds, if any, of such sale or other disposition may be applied, at the discretion of the Authority, as follows:

(1) to the payment or satisfaction, in whole or in part, of (1) Bonds associated with or related to such component or enterprise and (2) any other type of indebtedness of the Authority associated with or related to such component or enterprise; or

(2) to the payment or satisfaction, in whole or in part, of the amount due under any type of contractual obligations of the Authority associated with or related to such enterprise or component; or

(3) to the payment of the construction or purchase of additional improvements or expansions to the System.

[End of Article XI]

ARTICLE XII
MODIFICATION OF RESOLUTION

Section 12.01. Modification Without Bondholder Approval.

(A) Provided always that the security of the Bonds shall not be lessened, or in any manner impaired, the Authority may for any one or more of the following purposes at any time, or from time to time, adopt a resolution, supplementing this Bond Resolution, which supplemental resolution shall be fully effective in accordance with its terms:

(1) To provide for the issuance of a Series of Bonds in accordance with Article IV of this Bond Resolution;

(2) To add to the covenants and agreements of the Authority in this Bond Resolution, other covenants and agreements thereafter to be observed;

(3) To surrender any right, power or privilege reserved to or conferred upon the Authority by this Bond Resolution;

(4) To implement an addition to the System pursuant to Section 11.02 hereof; and

(5) To cure, correct and remove any ambiguity or inconsistent provisions contained in this Bond Resolution.

(B) It is further provided that such supplemental resolution shall not become effective until (1) a copy thereof, duly certified, shall have been filed in the office of the Clerks of Court for Edgefield County and Aiken County and (2) the Authority shall have received an opinion of Bond Counsel to the effect that such supplemental resolution has been lawfully adopted in accordance with the provisions hereof and is in full force and effect. After receipt by the Trustee of written notification from the Authority and of a copy of such opinion of Bond Counsel, the Trustee will promptly give notice of adoption and a copy of any modification made hereunder to any Insurer.

Section 12.02. Modification with Bondholder Approval. The rights and duties of the Authority and the Bondholders and the terms and provisions of this Bond Resolution may be modified or altered in any respect by a resolution adopted by the Authority with the consent of the Holders of sixty-six and two-thirds percent (66-2/3%) in principal amount of all Bonds of each Series which would be affected by such modification or alteration then Outstanding and the prior written consent of the Insurer, if any, of each such Series of Bonds, such consent to be evidenced in such manner as may be acceptable to the Trustee, but no such modification or alteration shall, without the consent of the Holders of all Bonds affected by such change or modification:

(A) Extend the maturity of any payment of principal or interest due upon any Bond;

(B) Effect a reduction in the amount which the Authority is required to pay by way of principal, interest or redemption premium on any Bond;

(C) Effect a change as to the type of currency in which the Authority is obligated to effect payment of the principal, interest and redemption premium of any Bond;

(D) Permit the creation of a pledge of or lien upon the revenues of the System prior to or equal to the Bonds except as may be permitted under the provisions of this Bond Resolution;

(E) Permit preference or priority of any Bonds to others;

(F) Alter or modify the provisions of Section 4.02 hereof or of Articles V, VII, and VIII hereof; or

(G) Reduce the percentage required for the written consent to the modification or alteration of the provisions of this Bond Resolution.

Section 12.03. Procedure for Procuring Bondholder Approval. The Authority and the Trustee may rely upon the registry books maintained by the Registrar to determine who are the Holders of the Bonds. Any and all modifications made pursuant to Section 12.02 hereof shall not become effective until (1) there has been filed with the Clerks of Court for Edgefield County and Aiken County and with the Trustee a copy of such amendatory resolution hereinabove provided for, duly certified, (2) there has been filed with the Trustee an opinion of Bond Counsel stating that such amendatory resolution has been duly and lawfully adopted by the Authority in accordance with the provisions of this Bond Resolution and is valid and binding upon the Authority and (3) proof of consent to such modification by the Holders of sixty-six and two-thirds percent (66-2/3%) in principal amount of the Bonds of each Series then Outstanding shall be filed with the Trustee. In the event that any Series of Bonds are held under a book-entry system pursuant to Section 4.19, the approvals of Bondholders may be obtained in the manner provided in the agreement with the Securities Depository.

Section 12.04. Notice to Rating Agencies. The Authority shall provide any rating agency rating a Series of Bonds with notice and a copy of any proposed amendment to this Bond Resolution or to any Series Resolution at least fifteen (15) days in advance of its execution or adoption.

[End of Article XII]

ARTICLE XIII
EVENTS OF DEFAULT

Section 13.01. Events of Default.

(A) Each of the following events is hereby declared to be an "Event of Default:"

(1) Payment of the principal of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption;

(2) Payment of any installment of interest on any Bonds shall not be made when the same becomes due and payable;

(3) An order or decree shall be entered with the consent or acquiescence of the Authority appointing a receiver, or receivers, of the System, or of the revenues thereof, or any proceedings shall be instituted with the consent or acquiescence of the Authority for the purpose of effecting a composition between the Authority and its creditors whose claims relate to the System, or for the purpose of adjusting claims of such creditors, pursuant to any federal or State statute now or hereafter enacted, or if such order or decree, having been entered without the consent or acquiescence of the Authority, shall not be vacated or discharged or stayed on appeal within sixty (60) days after entry thereof, or if such proceeding having been instituted without the consent or acquiescence of the Authority, shall not be withdrawn or any orders entered shall not be vacated, discharged, or stayed on appeal within sixty (60) days after the institution of such proceedings, or the entry of such orders;

(4) The Authority shall fail to operate the System in an efficient and businesslike fashion so as to materially impair the operations of the System or shall default in the due and punctual performance of any other of the covenants, conditions, agreements or provisions contained in the Bonds or in any Series Resolution or in this Bond Resolution and such default as to efficient operation or otherwise shall continue for thirty (30) days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority by any Bondholder, provided that in the case of default specified in this paragraph (4), if the default be such that it cannot be corrected within the said thirty (30) day period, it shall not constitute an event of default if corrective action is instituted by the Authority within said thirty (30) day period and diligently pursued until the default is corrected; and

(5) The occurrence of an event of default on the part of the Authority under any reimbursement agreement between the Authority and a provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof; and

(6) Such other events of default as may be specified in a Series Resolution.

In determining whether a default in payment has occurred under paragraphs (1) or (2) of this subsection (A) and in determining whether a payment on Bonds has been made under any other provision of this Resolution, no effect shall be given to payments made under a Municipal Bond Insurance Policy.

In determining whether a default pertaining to the material impairment of the operations of the System due to the failure of the Authority to operate the System in an efficient and businesslike fashion

has occurred under paragraph (4) of this subsection (A), the Trustee may seek, at the expense of the Authority, and shall be entitled to rely upon the written opinion of a firm of Consulting Engineers, or of a firm of independent certified public accounts having a recognized reputation in the field, to that effect.

(B) The foregoing provisions of paragraph (4) of the preceding subsection (A) are subject to the following limitations: If by reason of force majeure the Authority is unable in whole or in part to carry out its agreements herein contained (other than the obligations on the part of the Authority contained in any of Section 4.02 hereof or Articles V, VII and VIII hereof as to which this paragraph shall have no application), the Authority shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: acts of God; strikes; lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of South Carolina or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, tunnels or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Authority, it being agreed that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Authority, and the Authority shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Authority unfavorable to the Authority.

[End of Article XIII]

ARTICLE XIV REMEDIES

Section 14.01. Acceleration; Annulment of Acceleration.

(A) Upon the occurrence of an Event of Default, the Trustee, subject to the provisions of Section 17.01(a) hereof, may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall, by notice in writing to the Authority, declare all Bonds Outstanding immediately due and payable; and such Bonds shall become and be immediately due and payable, anything in the Bonds or in this Bond Resolution to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment.

(B) At any time after the principal of the Bonds shall have been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Bond Resolution, the Trustee may, with the consent of each Insurer of any Series of Bonds Outstanding, annul such declaration and its consequences with respect to any Bonds not then due by their terms if:

(1) Moneys shall have been deposited in each Debt Service Fund sufficient to pay all matured installments of interest and principal (other than principal then due only because of such declaration) of all Outstanding Bonds;

(2) Moneys shall have been deposited with the Trustee sufficient to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee;

(3) All other amounts then payable by the Authority hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee; and

(4) Every Event of Default known to the Trustee (other than a default in the payment of the principal of such Bonds then due only because of such declaration) shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent Event of Default or impair any right consequent thereon.

Section 14.02. Additional Remedies and Enforcement of Remedies.

(A) Upon the occurrence and continuance of any Event of Default, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, the Trustee shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders under this Bond Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(1) Requiring the Authority to carry out its duties and obligations under the terms of the Bond Resolution and under the Enabling Act;

(2) Suit upon all or any part of the Bonds;

(3) Civil action to require the Authority to account as if it were the trustee of an express trust for the Holders of Bonds;

(4) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and

(5) Enforcement of any other right of the Bondholders conferred by law or by this Bond Resolution including the right to make application for the appointment of a receiver to administer and operate the System.

(B) Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, together with indemnification of the Trustee to its satisfaction therefor, shall institute and maintain such suits and proceedings as it may be advised by counsel shall be necessary or expedient:

(1) To prevent any impairment of the security under this Bond Resolution by any acts which may be unlawful or in violation of this Bond Resolution; or

(2) To preserve or protect the interests of the Bondholders, provided that such request is in accordance with law and the provisions of this Bond Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds not making such request.

Section 14.03. Application of Revenues and Other Moneys After Default.

(A) The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay or cause to be paid over to the Trustee:

(1) Forthwith, all moneys and securities then held by the Authority which are credited to any Fund under this Bond Resolution (specifically including any moneys and securities in any construction fund created with proceeds of Bonds if construction of the projects to be paid for thereby has been completed or terminated but exclusive of any amounts remaining in such construction fund that are in dispute between the Authority and any contractor); and

(2) As promptly as practicable after receipt thereof, all Gross Revenues.

(B) During the continuance of an Event of Default, the Trustee shall apply all moneys, securities, Gross Revenues, payments and receipts in its possession and the income therefrom as follows and in the following order:

(1) To the payment of the reasonable and proper charges of the Trustee and its reasonable counsel fees and other expenses;

(2) To the payment of the interest and principal (and redemption premium, if any) then due on the Bonds, as follows:

(a) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

(i) First: To the payment of the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference;

(ii) Second: To the payment to the persons entitled thereto of the unpaid Principal Installments (and redemption premiums, if any) of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal (plus redemption premium, if any) due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any differences as to the respective rates of interest specified in the Bonds;

(3) To the payment of the amounts required by Sections 8.03 and 8.04, ratably, according to the amounts due thereon to the persons entitled thereto;

(4) To the payment of all other Operation and Maintenance Expenses;

(5) To the payment of the amounts required by Section 8.06, ratably, according to the amounts due thereon to the persons entitled thereto; and

(6) To the payment of the required deposits to the Depreciation and Contingent Fund under Section 8.07.

Section 14.04. Remedies Not Exclusive. No remedy by the terms of this Bond Resolution conferred upon or reserved to the Trustee or the Bondholders or any Insurer is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Resolution or existing at law or in equity or by statute (including the Enabling Act) on or after the date hereof.

Section 14.05. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) under this Bond Resolution or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the

provisions of Section 14.03 hereof, any recovery of judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 14.06. Majority of Bondholders Control Proceedings. If an Event of Default shall have occurred and be continuing, notwithstanding anything in this Bond Resolution to the contrary, the Holders of at least a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken in connection with the enforcement of the terms and conditions of this Bond Resolution or for the appointment of a receiver or any other proceedings hereunder, provided that such direction is in accordance with law and the provisions of this Bond Resolution (including indemnity to the Trustee) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Bondholders not joining in such direction and provided further that nothing in this Section 14.06 shall impair the right of the Trustee in its discretion to take any other action under this Bond Resolution which it may deem proper and which is not inconsistent with such direction by Bondholders.

Section 14.07. Individual Bondholder Action Restricted.

(A) No Holder of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of this Bond Resolution or for the execution of any trust hereunder or for any remedy under this Bond Resolution unless:

(1) An Event of Default has occurred:

- (a) under paragraph (1) or (2) of subsection (A) of Section 13.01 hereof;
- (b) as to which the Trustee has actual notice; or
- (c) as to which the Trustee has been notified in writing; and

(2) The Holders of at least twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in this Bond Resolution or to institute such action, suit or proceeding in its own name; and

(3) Such Bondholders shall have offered the Trustee reasonable indemnity; and

(4) The Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of sixty (60) days after receipt by it of such request and offer of indemnity.

(B) No one or more Holders of Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the security of this Bond Resolution or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds Outstanding.

(C) Nothing contained in this Bond Resolution shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond

(1) To receive payment of the principal of or interest on such Bond on the due date thereof; or

(2) To institute suit for the enforcement of any such payment on or after such due date.

Section 14.08. Termination of Proceedings. In case any proceeding taken by the Trustee or any Bondholder on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, the Authority, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 14.09. Waiver and Nonwaiver of Event of Default.

(A) No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article XIV to the Trustee and the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

(B) The Trustee may waive any Event of Default which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Bond Resolution, or before the completion of the enforcement of any other remedy under this Bond Resolution.

(C) Notwithstanding anything contained in this Bond Resolution to the contrary, but subject to the provisions of Section 17.01 hereof, the Trustee, upon the written request of the Holders of at least a majority of the aggregate principal amount of Bonds then Outstanding (including, if more than one Series of Bonds shall at the time be Outstanding, the Holders of a majority in principal amount of all Bonds then Outstanding of each such Series), shall waive any Event of Default hereunder and its consequences; provided, however, that except under the circumstances set forth in subsection (B) of Section 14.01 hereof or subsection (B) of this Section 14.09, a default in the payment of the principal of, premium, if any, or interest on, any Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds at the time Outstanding.

(D) In case of any waiver by the Trustee of an Event of Default hereunder, the Authority, the Trustee, each Insurer and the Bondholders shall be restored to their former positions and rights under the Bond Resolution, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section 14.09.

Section 14.10. Notice of Defaults.

(A) Within thirty (30) days after:

(1) The receipt of notice of an Event of Default as provided in Section 14.07(A)(1)(b) or (c) hereof; or

(2) The occurrence of an Event of Default under paragraphs (1) or (2) of subsection (A) of Section 13.01 hereof, as to which the Trustee shall be deemed to have notice,

the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Insurer of any Series of Bonds then Outstanding and to each Holder of Bonds then Outstanding, provided that, except in the case of a default in the payment of principal of, together with premium, if any and interest on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Bondholders.

(B) The Trustee shall notify the Authority and each Insurer of any Series of Bonds then Outstanding of any Event of Default actually known to the Trustee, within five (5) business days of obtaining knowledge of the same.

[End of Article XIV]

ARTICLE XV
TRUSTEE AND ITS FUNCTIONS; OTHER FIDUCIARIES

Section 15.01. Appointment and Vesting of Powers in Trustee; Limitation of Rights of Bondholders to Appoint Trustee. Prior to the delivery of any Bonds pursuant to this Bond Resolution, the Authority shall appoint the Trustee. The Trustee shall be and is hereby vested with all rights and powers necessary to enable it to discharge its duties hereunder but the right of the Bondholders to appoint a Trustee hereunder is limited to the circumstances contemplated by Section 15.10 hereof.

Section 15.02. Functions of Trustee. The Trustee shall have the following additional functions:

- (A) To authenticate the Bonds of all Series that may be issued;
- (B) To act as trustee of the Debt Service Funds;
- (C) To act as trustee of the Debt Service Reserve Funds;
- (D) To act as Paying Agent for the Bonds;
- (E) In the event Bonds are issued in registered form, and unless otherwise prescribed by a Series Resolution, to act as Registrar for the Bonds, and to maintain a set of registration books therefor, which shall at all times accurately reflect the names and addresses of all those who may be Holders of any Bonds;
- (F) To make reports to the Authority on a monthly or such other basis as may be requested by the Authority, but not less often than semi-annually:
 - (1) Establishing balances on hand;
 - (2) Listing investments made for any fund handled by the Trustee;
 - (3) Establishing pursuant to Section 8.03 hereof the market value of the Debt Service Reserve Funds and to maintain adequate records as to the amounts available to be drawn at any given time under any surety bond, insurance policy, line of credit or letter of credit, all as provided under Section 7.04(D) hereof, and as to the amounts paid and owing to the provider of any such surety bond, insurance policy, line of credit or letter of credit, and the Trustee shall verify all such records with any provider; and
 - (4) Listing all securities, if any, pledged pursuant to Section 15.13 hereof.

Section 15.03. Duty of Trustee with Respect to Deficits in Debt Service Funds. It shall be the further duty of the Trustee to give written notice to the Authority three (3) Business Days prior to each Bond Payment Date, if there is any deficiency in any Debt Service Fund which would result in a need for further moneys to meet the payment of interest and/or principal falling due on the next ensuing Bond Payment Date, and the extent, if any, to which resort must be had to the respective Debt Service Reserve Fund to meet such deficiency.

Section 15.04. Acceptance by Trustee Required. Prior to the delivery of any Bonds, the Trustee appointed pursuant to Section 15.01 hereof shall signify its acceptance of the powers, duties and obligations conferred and imposed upon it by this Bond Resolution, by executing and delivering to the Authority a written acceptance thereof.

Section 15.05. Liability as to Recitals in Bond Resolution and Bonds. The recitals of fact made in this Bond Resolution and in the Bonds shall be taken as statements of the Authority, and the Trustee shall not be deemed to have made any representation as to the correctness of the same, nor shall the Trustee be deemed to have made any representation whatsoever as to the validity or sufficiency of this Bond Resolution or of the Bonds issued hereunder except with respect to the authentication of any Bonds. Nor shall the Trustee be under responsibility or duty with respect to the issuance of said Bonds, or the application of the proceeds thereof, except to the extent provided for herein. Nor shall the Trustee be liable in connection with the performance of its duties hereunder, except for its own negligence or default.

Section 15.06. Trustee May Rely on Notices, etc. The Trustee shall at all times be protected in acting upon any notice, resolution, request, consent, order, certificate, statement, opinion, bond, or other paper or document believed by the Trustee to be genuine and to have been signed by the proper party or parties.

Section 15.07. Trustee Permitted to Resign. The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving to the Authority, the Bondholders and any Insurer written notice of such resignation, specifying a date (not less than sixty (60) days after such notice) when such resignation is intended to take effect. Such resignation shall take effect immediately upon but not before the appointment and qualification of such successor. In this regard, upon receipt of any written notice of resignation, the Authority shall promptly proceed, in good faith and with reasonable diligence, to secure a successor Trustee.

Section 15.08. Removal of Trustee.

(A) The Trustee may be removed at any time by the Holders of not less than fifty percent (50%) of the principal amount of Bonds at such time Outstanding, with not less than sixty (60) days notice of the same.

(B) Provided an Event of Default has not occurred and has not been remedied, the Trustee may be removed at any time by the Authority or, if a Series Resolution so provides, upon the request of any Insurer for a material breach of the trust set forth herein.

(C) Any such removal shall take effect immediately upon but not before the appointment and qualification of such successor.

Section 15.09. Appointment of Successor Trustee Upon Resignation or Removal of Trustee.

(A) In case at any time the Trustee shall resign, or be removed or become incapable of acting, or be adjudged a bankrupt or insolvent, or a receiver of its property shall be appointed, or any public officer shall take charge or control of its property or affairs, a successor thereto shall be promptly appointed by a resolution of the members of the Authority duly adopted. Such successor shall in all instances be a bank, trust company or national banking association, acceptable to each Insurer and duly

chartered pursuant to the laws of the United States or of any state and shall have a combined capital and surplus of not less than \$100,000,000.

(B) Immediately following such appointment the Authority shall give written notice of such appointment to the Bondholders and any Registrar other than the Trustee.

Section 15.10. When Bondholder May Seek Successor Trustee. If, in a proper case, no appointment of a successor Trustee shall be promptly made pursuant to Section 15.09, any Bondholder, the resigning or removed Trustee or any Insurer may make application to any court of competent jurisdiction for the appointment of a successor and said court may thereupon, after such notice, if any, as such court may prescribe, appoint a successor.

Section 15.11. Acceptance by Successor Trustee. Any successor Trustee appointed hereunder shall execute and deliver to its predecessor and to the Authority a written acceptance of such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of its predecessor hereunder with like effect as if originally named as such Trustee and its predecessor shall be obligated to pay over, transfer, assign and deliver all moneys, securities and other property held by it to its successor, and on the written request of the Authority, or the successor, shall execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may be reasonably required for the vesting and confirming in such successor all the right, title and interest of the predecessor in and to any property held by it.

Section 15.12. Effect of Trustee Merging With Another Bank, etc. Any bank, trust company or national banking association into which the Trustee may be merged, or with which it may be consolidated, or any bank, trust company or national banking association resulting from any merger or consolidation to which it shall be a party, or any bank, trust company or national banking association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall become the successor without the execution or filing of any paper or the performance of any further act; provided, always, that if the Authority shall be dissatisfied with the institution resulting from the merger, consolidation or other action spoken of above, then the Authority may at any time within thirty (30) days after such action name a new Trustee (with the qualifications prescribed by Section 15.09 hereof) in lieu of the Trustee then acting.

Section 15.13. Trustee to Secure Funds and Securities Held in Trust.

(A) Unless the same be secured as trust funds in the manner provided by the regulations of the Comptroller of the Currency as from time to time in effect, all funds or securities in the custody of the Trustee, in excess of the amount of such deposit insured by the Federal Deposit Insurance Corporation, shall be secured and kept secured by direct obligations of the United States of a market value at least equal to the sum on deposit and not insured as aforesaid by the Federal Deposit Insurance Corporation.

(B) All securities which shall be given to secure any fund as required by the provisions of this Article, shall be placed in the custody of a duly chartered bank, other than the Trustee, which is a member of the Federal Deposit Insurance Corporation. Such other bank shall have a combined capital and surplus of not less than \$25,000,000.

Section 15.14. Disposition of Paid Bonds. It shall be the duty of the Trustee to cancel all Bonds which shall have been paid, whether upon their maturity or redemption prior to maturity; such cancellation shall be done in such fashion as to render such Bonds incapable of further negotiation or hypothecation. In any event it shall furnish appropriate certificates to the Authority indicating the disposition of such Bonds. Upon effecting such cancellation, the Trustee shall furnish appropriate certificates to the Authority setting forth the disposition made of the Bonds so cancelled.

Section 15.15. Appointment of Substitute Registrar. The Authority may, from time to time, appoint a Registrar or Registrars to act in the place and stead of the Trustee as Registrar of the Bonds of one or more Series. The Authority shall cause written notice of such appointment to be mailed to the Holders of all Bonds affected by such appointment thirty (30) days prior to the effective date of such appointment.

Section 15.16. Indemnity. Before taking any action under this Bond Resolution requested by the Holders (with the exception of any required acceleration of Bonds pursuant to Section 14.01(A) hereof and any action required to be taken pursuant to Section 14.10 hereof), the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or wilful default by reason of any action so taken.

[End of Article XV]

ARTICLE XVI DEFEASANCE

Section 16.01. Defeasance Generally. Subject to the provisions of any Series Resolution, if all of the Bonds issued pursuant to this Bond Resolution and any other amounts required to be paid to a provider of a surety bond, line of credit, insurance policy or letter of credit hereunder shall have been paid and discharged, then the obligations of the Authority under this Bond Resolution, the pledge of Gross Revenues made hereby, and all other rights granted hereby shall cease and determine. Subject to the provisions of any Series Resolution, Bonds shall be deemed to have been paid and discharged within the meaning of this Article under each of the following circumstances:

(A) The Trustee shall hold, at the stated maturities of such Bonds, in trust and irrevocably appropriated thereto, sufficient money for the payment thereof.

(B) If default in the payment of the principal of such Bonds or the interest thereon shall have occurred and thereafter tender of such payment shall have been made, and the Trustee shall then hold in trust and irrevocably appropriated thereto, sufficient money for the payment thereof to the date of the tender of such payment.

(C) If the Authority shall have deposited with the Trustee, or any other bank, trust company or national banking association which would otherwise meet the chartering and capital and surplus requirements contained in Section 15.09(A) hereof, in an irrevocable trust money or Defeasance Obligations, the principal of and interest on which when due (without reinvestment thereof) will, as certified in a verification report provided by an independent nationally recognized certified public accountant, provide money which, together with the money, if any, deposited at the same time, shall be sufficient to pay, when due, the principal, interest and redemption premium, if any, due and to become due on and prior to the maturity, or, if the Authority has irrevocably elected to redeem Bonds, on and prior to the redemption date, of such Bonds.

Section 16.02. Money to be Held in Trust - When Returnable to the Authority. Any money which at any time shall be deposited with the Trustee or other escrow holder authorized under Section 16.01(C), by or on behalf of the Authority, for the purpose of paying and discharging any Bonds or the interest thereon, shall be and is hereby assigned, transferred and set over to the Trustee or such other escrow holder in trust for the respective Holders of the Bonds, and such money shall be and is hereby irrevocably appropriated to the payment and discharge thereof. But if, through lapse of time or otherwise, the Holders of said Bonds shall no longer be entitled to enforce payment of their obligations, then, in such event, it shall be the duty of the Trustee or such other escrow holder to forthwith return said funds to the Authority.

Section 16.03. Deposits With Trustee Subject to Conditions of Article XVI. The Authority covenants and agrees that any money which it shall deposit with the Trustee shall be deemed to be deposited in accordance with, and subject to, the applicable provisions of this Article, and that whenever it shall have elected to redeem Bonds it will irrevocably bind and obligate itself to give notice of defeasance and redemption thereof, and will further authorize and empower the Trustee to cause the publication of such notice of defeasance and redemption in its name and on its behalf.

Section 16.04. No Defeasance of Series of Bonds Paid by Insurer. In the event that the principal and/or interest due on a Series of Bonds shall be paid by an Insurer pursuant to a Municipal Bond

Insurance Policy, such Series of Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority until the Insurer has been reimbursed in full therefor in accordance with the terms of the Municipal Bond Insurance Policy, and the assignment and pledge of the Gross Revenues of the System and all covenants, agreements and other obligations of the Authority to the registered Holders shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered Holders.

[End of Article XVI]

ARTICLE XVII MISCELLANEOUS

Section 17.01. Miscellaneous Insurer Rights.

(A) Notwithstanding any provision of this Bond Resolution to the contrary, (i) each Insurer shall be deemed the exclusive Holder of all Bonds insured by that Insurer, for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies, and (ii) upon the occurrence of an Event of Default and with respect to all remedies provided herein, (a) a Series of Bonds may be accelerated only with the consent of the Insurer with respect to such Series and (b) any acceleration may be annulled only with the consent of each Insurer of a Series of Bonds.

(B) Any provision of this Bond Resolution expressly recognizing or granting rights in or to Insurers may not be amended in any manner which affects the rights of such Insurers hereunder without the prior written consent of each such Insurer.

(C) To the extent that an Insurer makes payment of the principal of or interest on any Bonds, it shall become the owner and Holder of such Bonds, appurtenant coupons or right to payment of such principal of or interest on such Bonds and shall be fully subrogated to all of the registered Holders' rights thereunder, including the registered Holders' rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or Registrar upon receipt of proof from the Insurer as to payment of interest thereon to the registered Holders of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee or Registrar upon surrender of the Bonds by the registered Holders thereof to the Insurer or its agent.

(D) In the event that the principal of and/or interest on any Bonds shall be paid by the Insurer pursuant to the terms of its Municipal Bond Insurance Policy, (i) such Bonds shall continue to be "Outstanding" under this Bond Resolution and (ii) the assignment and pledge of the Gross Revenues and all covenants, agreements and other obligations of the Authority to the registered Holders shall continue to exist, and the Insurer shall be fully subrogated to all of the rights of such registered Holders in accordance with the terms and conditions of subparagraph (C) above and the Insurer's Municipal Bond Insurance Policy.

(E) Notwithstanding anything in this Bond Resolution to the contrary, no rights granted to an Insurer by this Bond Resolution shall be effective at any time that such Insurer is in breach of its obligations under the Municipal Bond Insurance Policy or is subject to bankruptcy or receivership proceedings.

(F) The terms and provisions of this Bond Resolution or of any applicable Series Resolution may not be terminated as long as there are any moneys owed to an Insurer under such terms and provisions of this Bond Resolution or the applicable Series Resolution or any agreement between such Insurer and the Authority.

Section 17.02. Purpose of Covenants in Bond Resolution. Every covenant, undertaking and agreement made on behalf of the Authority, as set forth in this Bond Resolution is made, undertaken and agreed to, for the proper securing of the payment of the principal of and interest on the Bonds. Each shall

be deemed to partake of the obligation of the contract between the Authority and the Bondholders and shall be enforceable accordingly. In this connection, any provider of a surety bond, line of credit, insurance policy or letter of credit as contemplated under Section 7.04(D) hereof may enforce the terms, conditions and obligations under this Bond Resolution as a third party beneficiary hereunder. Nothing in this Resolution expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Authority, the Insurers, the Trustee, and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Resolution or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Authority, the Insurers, the Trustee, and the registered owners of the Bonds.

Section 17.03. Effect of Invalidity of Provisions of Bond Resolution. If any Section, paragraph, clause or provision of this Bond Resolution shall be held invalid, the invalidity of such Section, paragraph, clause or provision shall not affect any of the remaining provisions of this Bond Resolution.

Section 17.04. Remedies Granted by Resolution Not Being Available to Holders of Other Bonds. If it shall be held by any court of competent jurisdiction that any right or remedy granted by the Bond Resolution or any Series Resolution to the Holders of any Bond is not available to the Holders of all other Bonds, then such rights and remedies are herewith conferred upon the Holders of such other Bonds.

Section 17.05. Repealing Clause. All resolutions, or parts thereof, inconsistent herewith shall be and the same are hereby repealed to the extent of such inconsistencies.

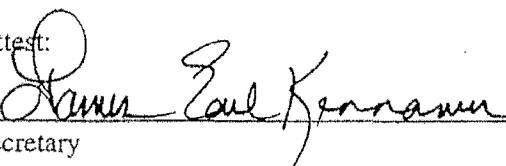
DONE, RATIFIED AND ADOPTED by the members of Edgefield County Water and Sewer Authority on February 24, 1998.

**EDGEFIELD COUNTY WATER AND
SEWER AUTHORITY**

(SEAL)


Chairman

Attest:


Secretary

STATE OF SOUTH CAROLINA

COUNTY OF EDGEFIELD

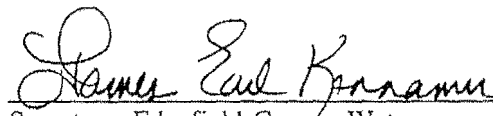
I, the undersigned, Secretary of the Edgefield County Water and Sewer Authority (the "Authority"), DO HEREBY CERTIFY:

That the foregoing constitutes a true, correct and verbatim copy of the Bond Resolution adopted by the members of the Authority at a meeting duly called and held on February 24, 1998 at which meeting a quorum of the membership of the Authority was present. Voting in favor of the Bond Resolution were Mr. Curry, Mr. Day, Mr. Long, Mr. Timmerman and Mr. Sullivan. Voting against were none.

That the original of said Bond Resolution is duly entered in the permanent records of said Authority in my custody as Secretary.

WITNESS my hand this 10th day of March, 1998.

(SEAL)


Secretary, Edgefield County Water
and Sewer Authority

A RESOLUTION

PROVIDING FOR THE ISSUANCE AND SALE OF AN EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2016, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING TWO MILLION THREE HUNDRED FORTY THOUSAND DOLLARS (\$2,340,000) AND OTHER MATTERS RELATING THERETO.

SERIES RESOLUTION
Adopted October 24, 2016

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BE IT RESOLVED BY THE MEMBERS OF EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA, IN MEETING DULY ASSEMBLED:

ARTICLE I

FINDINGS OF FACT

Section 1.01 Findings

As an incident to the adoption of this Resolution, and the issuance of the bonds provided for herein, the members of the governing body of Edgefield County Water and Sewer Authority, South Carolina (the "**Authority**"), find that the facts set forth in this **Article I** exist and the following statements are in all respects true and correct:

1. The Authority has made general provision for the issuance from time to time of Waterworks and Sewer System Revenue Bonds (the "**Bonds**") of the Authority through the adoption on February 24, 1998 of a resolution entitled "A Resolution Providing for the Issuance and Sale of Waterworks and Sewer System Revenue Bonds of Edgefield County Water and Sewer Authority, South Carolina, And Other Matters Relating Thereto" (the "**Bond Resolution**").

2. It is provided in and by the Bond Resolution that, upon adoption of a "Series Resolution" there may be issued one or more series of Bonds for the purpose of providing funds for the expansion and improvement of the Waterworks and Sewer System of the Authority (the "**System**"), paying and redeeming any outstanding bond anticipation notes of the Authority issued in anticipation of the issuance of Bonds, refunding bonds or other indebtedness payable from the revenues of the System, funding any debt service reserve funds established for the benefit of the holders of a particular series of Bonds and providing credit enhancement for any series of Bonds.

3. Pursuant to the Bond Resolution, the Authority presently has outstanding \$2,813,000 of its \$4,000,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2007, (the "**Series 2007 Bond**"), and \$7,435,000 of its \$10,135,000 Waterworks and Sewer System Revenue Bonds, Series 2010 (the "**Series 2010 Bonds**") payable from the revenues of the System.

4. The Series 2007 Bond does not have a Reserve Requirement. The Reserve Requirement with respect to the Series 2010 Bonds has been satisfied through the purchase of a debt service reserve surety bond.

5. The Authority has now determined that moneys should be raised in order to defray a portion of the cost of the acquisition and installation of Advanced Metering Infrastructure throughout the Authority's water distribution system which will include the replacement of water meters and meter box lids and the installation of data collectors, associated infrastructure and related improvements (collectively, the "**Project**") and paying related costs of issuance.

6. By reason of the foregoing, pursuant to the authority contained in the Enabling Act, the Authority has determined to adopt this resolution as a "Series Resolution" in accordance with the terms and provisions of the Bond Resolution in order to affect the issuance of the Series of Bonds described herein for the primary purposes of paying a portion of the costs of the design, construction and installation of the Project and related costs of issuance.

[End of Article I]

ARTICLE II

DEFINITIONS AND AUTHORITY

Section 2.01 Definitions

(a) Except as provided in subsection (b) below, all terms which are defined in Section 2.02 of the Bond Resolution and in **Article I** hereof shall have the same meanings in this 2016 Series Resolution.

(b) As used in this 2016 Series Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"2016 Construction Fund" shall mean the fund of that name established pursuant to **Section 6.02** hereof.

"2016 Series Resolution" shall mean this Resolution.

"2016 Debt Service Fund" shall mean the Fund established pursuant to **Section 4.06** hereof to provide for the payment of the principal and interest on the Series 2016 Bond.

"Bond Payment Date" shall mean, with respect to the Series 2016 Bond, January 1 and July 1 of each year through and including the final maturity date of the Series 2016 Bond, commencing July 1, 2017.

"Commitment Letter" shall mean the commitment letter of the Purchaser dated October 20, 2016.

"Project" shall mean, collectively, those improvements to the System described in **Section 1.01** hereof.

"Purchaser" shall mean Branch Banking and Trust Company, the purchaser of the Series 2016 Bond.

"Series 2016 Bond" shall mean the Bond of the Authority of the Series authorized by this 2016 Series Resolution and designated "Edgefield County Water and Sewer Authority, South Carolina, Waterworks and Sewer System Revenue Bond, Series 2016" in the principal amount of not exceeding \$2,340,000.

Section 2.02 Authority for this 2016 Series Resolution

This 2016 Series Resolution is adopted pursuant to the provisions of the Bond Resolution.

[End of Article II]

ARTICLE III

USEFUL LIFE

Section 3.01 Determination of the Useful Life of the System

The period of usefulness of the System is hereby determined to be not less than forty (40) years from the date hereof.

[End of Article III]

ARTICLE IV

AUTHORIZATION AND TERMS OF BOND

Section 4.01 Principal Amount and Designation

Pursuant to the provisions of the Enabling Act and the Bond Resolution, a Series of Bonds of the Authority entitled to the benefits, protection and security of the provisions of the Bond Resolution is hereby authorized to be issued for the purposes set forth in **Section 4.02** below. The Bonds so authorized shall be in the total principal amount of not exceeding \$2,340,000 and designated "Edgefield County Water and Sewer Authority, South Carolina, Waterworks and Sewer System Revenue Bond, Series 2016" (the "*Series 2016 Bond*").

Section 4.02 Purposes of the Series 2016 Bond

The Series 2016 Bond is authorized for the purposes of:

- (a) the acquisition and installation of Advanced Metering Infrastructure throughout the Authority's water distribution system which will include the replacement of water meters and meter box lids and the installation of data collectors, associated infrastructure and related improvements and
- (b) paying related costs of issuance.

Section 4.03 Date; Interest Rate; Maturity and Redemption of the Series 2016 Bond

The Date of Issue of the Series 2016 Bond shall be the date of its delivery (the "*2016 Date of Issue*"). The Series 2016 Bond shall mature on January 1 of the years and in such amounts as determined by the Chairman (which, for all purposes of this 2016 Series Resolution shall be deemed to include the Vice Chairman of the Authority in the absence of the Chairman, for any reason); provided that the final maturity date shall be no later than January 1, 2022. The Series 2016 Bond shall bear interest at the rate of 1.63% per annum pursuant to the Commitment Letter.

Interest on the Series 2016 Bond shall be payable on January 1 and July 1 of each year commencing July 1, 2017 or such other date as may be determined by the Chairman prior to the 2016 Date of Issue. The Record Dates for the payment of interest on the Series 2016 Bond shall be December 15 and June 15 of each year.

The Series 2016 Bond or portion thereof may be subject to optional redemption prior to maturity on such terms and dates, and at such prices, as may be determined by the Chairman and agreed to by the Purchaser.

Section 4.04 Authentication; Payment of Interest

The Series 2016 Bond shall be authenticated on such date as it shall be delivered and shall bear interest from the 2016 Date of Issue, or the date to which interest has been paid immediately preceding the authentication date thereof, unless the authentication date thereof is a Bond Payment Date, in which event, such Bond shall bear interest from the earlier of such authentication date, or the date to which interest has been paid. The interest on the Series 2016 Bond shall be paid by check or draft mailed from the office of the Paying Agent to the person in whose name the Bond is registered at the close of business on the Record Date; provided that any Holder of Series 2016 Bond in the aggregate principal amount of \$1,000,000 or

more may request in writing, prior to the applicable Record Date, that interest payments be made by wire transfer to such Holder at an account within the continental United States specified in such request.

Section 4.05 Denomination; Registration

The Series 2016 Bond shall be issued as a fully registered bond in a single certificate in the original principal amount of the Series 2016 Bond in the denomination of not exceeding \$2,340,000 or such lesser amount as is actually issued. The registered owner of the Series 2016 Bond shall be reflected on the books kept by the Registrar.

Section 4.06 Establishment of 2016 Debt Service Fund

In accordance with Section 7.03 of the Bond Resolution, the 2016 Debt Service Fund is hereby directed to be established by the Trustee on the date of original delivery of the Series 2016 Bond for the benefit of the Holder of the Series 2016 Bond.

Section 4.07 Appointment of Trustee, Registrar and Paying Agent for Series 2016 Bond; Maintenance of Offices for Payment, Transfer and Exchange of Bond

The Bank of New York Mellon Trust Company, N.A. has heretofore served as Trustee and Registrar with respect to all outstanding Bonds issued under the Bond Resolution. The Bank of New York Mellon Trust Company, N.A. is hereby appointed to serve as Trustee, Registrar and Paying Agent for the Series 2016 Bond. The Bank of New York Mellon Trust Company, N.A. shall signify its acceptance of the duties of the Trustee, the Registrar and the Paying Agent under this 2016 Series Resolution upon delivery of the Series 2016 Bond.

As long as the Series 2016 Bond remains Outstanding, the Authority shall maintain a Paying Agent therefor. The Bond shall be presented for registration of transfers and exchanges, and notices and demands to or upon the Trustee and the Authority in respect of the Bond may be served, at the corporate trust office of the Registrar.

Section 4.08 Form of Series 2016 Bond

The Series 2016 Bond together with the Certificate of Authentication and the Assignment to appear thereon, shall be in substantially the form attached hereto as *Exhibit A*, with necessary and appropriate variations, omissions and insertions as permitted or required by the Bond Resolution or this 2016 Series Resolution. The Series 2016 Bond shall be numbered R-1. There will be no Reserve Requirement with respect to the Series 2016 Bond.

[End of Article IV]

ARTICLE V

EXECUTION OF BOND; NO RECOURSE

Section 5.01 Execution

The Series 2016 Bond shall be executed by the Chairman of the Authority and attested by the Secretary of the Authority and authenticated in accordance with the applicable provisions of the Bond Resolution.

Section 5.02 No Recourse

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Bond Resolution or in this 2016 Series Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Authority and not those of any member, officer or employee of the Authority in his or her individual capacity, and no recourse shall be had for the payment of the principal or redemption price of or interest on the Series 2016 Bond or for any claim based thereon or on the Bond Resolution or on this 2016 Series Resolution, either jointly or severally, against any officer or employee of the Authority or any person executing the Series 2016 Bond.

[End of Article V]

ARTICLE VI

APPLICATION OF THE SERIES 2016 BOND PROCEEDS AND OTHER MONEYS

Section 6.01 Use and Disposition of Series 2016 Bond Proceeds

On or upon the delivery of the Series 2016 Bond, the proceeds of the sale thereof, net of any commitment fee paid to the Purchaser thereof, shall be disposed such that the remaining sum shall be deposited in the 2016 Construction Fund and shall be used for the purposes of defraying a portion of the cost of the Project (including the reimbursement of the Authority for funds previously expended therefor) and paying the costs of issuance of the Series 2016 Bond.

Section 6.02 Establishment of 2016 Construction Fund and Investment of Moneys Deposited Therein

The 2016 Construction Fund is hereby established, and the same shall be held, maintained and controlled by the Authority. There shall be paid into the 2016 Construction Fund the sums prescribed under **Section 6.01** hereof.

Moneys in the 2016 Construction Fund shall be invested and reinvested in Authorized Investments. All earnings shall be added to and become a part of the 2016 Construction Fund. Withdrawals from the 2016 Construction Fund shall be made upon written order of the Authority. Any amounts remaining in the 2016 Construction Fund following completion of the construction of the Project shall be used to pay principal or interest on the Series 2016 Bond or deposited in the Depreciation and Contingent Fund, in the discretion of the Authority.

[End of Article VI]

ARTICLE VII

SALE OF SERIES 2016 BOND; RESTRICTED TRANSFER

Section 7.01 Sale of Series 2016 Bond

The Series 2016 Bond is hereby authorized to be sold to the Purchaser as a private placement pursuant to a competitive sale pursuant to the terms of the Purchaser's Commitment Letter, which terms thereof are consistent with **Article IV** hereof. The Authority hereby authorizes the Chairman to execute the Commitment Letter, if required, on behalf of the Authority.

Section 7.02 Restricted Transfer

The Series 2016 Bond may be sold or transferred by the initial purchaser only to purchasers ("*Qualified Investors*") who execute an investment letter delivered to the Authority, in form satisfactory to the Authority (an "*Investment Letter*"), containing certain representations, warranties and covenants as to the suitability of such purchasers to purchase and hold the Series 2016 Bond. Such restriction shall be set forth on the face of the Series 2016 Bond and shall be complied with by each transferee of the Series 2016 Bond.

[End of Article VII]

ARTICLE VIII

COMPLIANCE WITH REQUIREMENTS OF THE CODE; BANK QUALIFICATION

Section 8.01 Compliance with the Code Generally

The Authority hereby represents and covenants that it will comply with all requirements of the Code in order to preserve the tax-exempt status of the Series 2016 Bond, including without limitation, the requirement to file an information report with the Internal Revenue Service and the requirement to comply with the provisions of Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations pertaining to the rebate of certain investment earnings on the proceeds of the Series 2016 Bond (including without limitation on sums on deposit in the 2016 Construction Fund) to the United States Government, and that it will not take any action which will, or fail to take any action (including, without limitation, filing the required information report with the Internal Revenue Service) which failure will, cause interest on the Series 2016 Bond to become includable in the gross income of the Holder thereof for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder. Without limiting the generality of the foregoing, the Authority represents and covenants that:

(a) All property financed with the proceeds of the Series 2016 Bond will be owned by the Authority in accordance with the rules governing ownership of property for federal income tax purposes.

(b) The Authority shall not permit any property financed with the proceeds of the Series 2016 Bond to be used in any manner that would cause the Series 2016 Bond to be "private activity bonds," within the meaning of Section 141 of the Code. The Authority hereby further covenants that it will not fail to take any action that would prevent the Series 2016 Bond from being private activity bonds. To this end, the Authority will monitor and control the use of the property financed or refinanced with the proceeds of the Series 2016 Bond to ensure that not more than ten percent thereof will be used (within the meaning of Section 141(b) of the Code), during any one-year period beginning on the later of the date hereof and the date such property is placed in service, in a trade or business carried on by persons other than governmental units (as defined in the Regulations).

(c) The Authority is not a party to nor will it enter into any contracts with any entity for the use or management of any property provided with the proceeds of the Series 2016 Bond that do not conform to the guidelines set forth in Revenue Procedure 2016-44 of the Internal Revenue Service.

(d) The Authority will not sell, lease or otherwise dispose of any property financed with the proceeds of the Series 2016 Bond to any person unless it obtains the opinion of nationally recognized bond counsel that such lease, sale or other disposition will not adversely affect the tax exemption of the Series 2016 Bond.

(e) The Series 2016 Bond will not be federally guaranteed within the meaning of Section 149(b) of the Code. The Authority shall not enter into any leases or sales or service contracts with any federal government agency unless it obtains the opinion of nationally recognized bond counsel that such action will not adversely affect the tax exemption of the Series 2016 Bond.

Section 8.02 Arbitrage Covenant; Authorization to Execute Tax Compliance Agreement and Arbitrage Certificates

(a) The Authority hereby covenants that no use of the proceeds of the Series 2016 Bonds will be made which, if such use had been reasonably expected on the date of issue of the Series 2016 Bond,

would have caused the Series 2016 Bond to be an issue of “arbitrage bonds,” as defined in the Code, and that it will comply with the requirements of Section 148 of the Code and Regulations with respect to the Series 2016 Bond.

(b) In order to comply with the requirements of paragraph (a) of this Section, the Authority further agrees to compute and pay arbitrage rebate required under Section 148(f) of the Code.

(c) Supplemental to the covenant of **Section 8.01** hereof and in no way in limitation thereof, the Chairman of the Authority and the Executive Director of the Authority, or either one of them, are hereby authorized and directed to execute, at or prior to delivery of the Series 2016 Bond, a certificate or certificates specifying actions taken or to be taken by the Authority, and the reasonable expectations of such officials, with respect to the Series 2016 Bond, the proceeds thereof or the System.

Section 8.03 Bank-Qualification

The Authority intends to issue no other tax-exempt obligations in calendar year 2016, which, when added to the principal amount of the Series 2016 Bond, will exceed \$10,000,000 in aggregate principal amount. Accordingly, the Series 2016 Bond is hereby designated as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3)(B) of the Code.

[End of Article VIII]

ARTICLE IX

CONTINUING DISCLOSURE

Section 9.01 Continuing Disclosure

The Authority covenants to comply with the requirements of Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended, by filing with a central repository for availability in the secondary bond market when requested:

- (i) an annual independent audit, within thirty days of the Authority's receipt of the audit; and
- (ii) event specific information within thirty days of an event adversely affecting more than five percent of the Gross Revenues.

The Authority specifically reserves the right to amend the above covenant in order to reflect any applicable change (or repeal) in law, including without limitation said Section 11-1-85, without the consent of the Trustee or the Holder of the Series 2016 Bond.

Section 9.02 Remedy

The only remedy for failure by the Authority to comply with the covenants set forth in **Section 9.01** hereof, or any certificates or agreements delivered in connection therewith, shall be an action for specific performance of such covenants; and failure to comply with such covenants, certificates or agreements shall not constitute a default or an "Event of Default" under the Bond Resolution or this 2016 Series Resolution. The Trustee shall have no responsibility to monitor the Authority's compliance with such covenants, certificates or agreements. However, any Series 2016 Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this **Article IX** and the related certifications or agreements of the Authority.

[End of Article IX]

ARTICLE X

MISCELLANEOUS

Section 10.01 Severability

If any one or more of the covenants or agreements provided in this 2016 Series Resolution on the part of the Authority or any fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this 2016 Series Resolution.

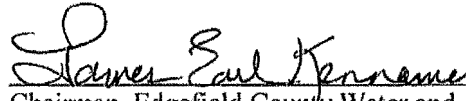
Section 10.02 Table of Contents and Section Headings Not Controlling

The Table of Contents and the Headings of the several Articles and Sections of this 2016 Series Resolution have been prepared for convenience of reference only and shall not control, affect the meaning of, or be taken as an interpretation of any provision of this 2016 Series Resolution.

[End of Article X]

DONE, RATIFIED AND ADOPTED this 24th day of October, 2016.

(SEAL)


Chairman, Edgefield County Water and
Sewer Authority

Attest:


Secretary, Edgefield County Water and
Sewer Authority

EXHIBIT A

(FORM OF BOND)

TRANSFER RESTRICTED

THIS BOND MAY BE SOLD OR TRANSFERRED IN WHOLE OR IN PART ONLY TO A PURCHASER OR TRANSFEREE CONSTITUTING A QUALIFIED INVESTOR (AS SUCH TERM IS DEFINED IN THE HEREAFTER DEFINED SERIES RESOLUTION UNDER WHICH THIS SERIES 2016 BOND IS ISSUED), AND ONLY UPON SUCH QUALIFIED INVESTOR DELIVERING TO THE AUTHORITY AN INVESTMENT LETTER IN THE FORM REQUIRED UNDER THE SERIES RESOLUTION

EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA
WATERWORKS AND SEWER SYSTEM REVENUE BOND
SERIES 2016

No. R-1

\$ _____

Issue Date

Maturity Date

Interest Rate

REGISTERED HOLDER: _____

PRINCIPAL SUM: _____ DOLLARS

EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA (the "Authority"), acknowledges itself indebted and for value received hereby promises to pay, solely from the sources and as hereinafter provided, to the Registered Holder or its registered assigns, the Principal Sum named above on the payment dates set forth below, unless this Bond shall have been redeemed prior thereto as hereinafter provided and to pay interest on such principal amount at the Interest Rate stated above (calculated on the basis of a 360-day year of twelve 30-day months), until the obligation of the Authority with respect to the payment of such principal amount shall be discharged. Interest on the Bond shall be payable semiannually each January 1 and July 1, commencing July 1, 2017. Principal of the Bond will be payable in annual installments on each January 1 in each of the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2018	
2019	
2020	
2021	
2022	

This Series 2016 Bond is issued pursuant to and in accordance with the Constitution and statutes of the State of South Carolina (the "State"), including particularly Chapter 17, Title 6, inclusive, Code of Laws of South Carolina 1976, as amended, and a Bond Resolution (the "Bond Resolution") and a Series Resolution (the "Series Resolution") duly adopted by the members of the governing board of the Authority

on February 24, 1998 and October 24, 2016, respectively (the Bond Resolution and the Series Resolution are hereinafter collectively referred to as the "**Resolutions**"), for the purpose of obtaining funds to (i) defray the costs of certain improvements to the waterworks and sewer system of the Authority (the "**System**") and (ii) pay costs of issuance of the Series 2016 Bond.

Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolutions. Certified copies of the Resolutions are on file in the office of the Trustee and in the offices of the Clerks of Court for Edgefield and Aiken Counties, South Carolina.

This Series 2016 Bond will bear interest from the later of the date of delivery or the date to which interest has been paid immediately preceding the authentication date thereof, unless the authentication date thereof is a January 1 or July 1, in which event, this Series 2016 Bond will bear interest from the earlier of such authentication date or the date to which interest has last been paid. Both principal of and interest on this Series 2016 Bond will be paid to the person in whose name this Series 2016 Bond is registered at the close of business on the December 15 or June 15 immediately preceding such January 1 or July 1 (the "**Record Dates**"). Principal and interest hereon shall be payable by check or draft mailed at the times provided herein from the office of the Paying Agent to the person in whose name this Series 2016 Bond is registered on the Record Date at the address shown on the registration books, or upon request, prior to the applicable Record Date, by wire transfer to the registered owner hereof at a bank account in the continental United States specified in such request. The principal of, redemption premium, if any, and interest on this Series 2016 Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, without presentation or surrender of this Bond.

This Bond shall be subject to redemption prior to maturity, at the option of the Authority, at any time, in whole but not in part, at the redemption price equal to the par amount of the Bond to be redeemed, together with the interest accrued on such principal amount to the date fixed for redemption.

Both the principal of and interest on this Series 2016 Bond, as the same shall become due, are payable solely from the Gross Revenues derived from the operation of the System (the "**Gross Revenues**"), and for the payment hereof and the issue of which it forms a part, there are hereby irrevocably pledged the Gross Revenues. The Authority is not obligated to pay this Series 2016 Bond, or the interest hereon, save and except from the Gross Revenues.

THIS SERIES 2016 BOND SHALL NOT IN ANY EVENT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR STATUTES OF THE STATE, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE; AND THE FAITH, CREDIT AND TAXING POWER OF THE AUTHORITY ARE NOT PLEDGED HERETO.

The pledge of Gross Revenues given by the Authority to secure this Series 2016 Bond is on a parity in all respects with the pledge of revenues by the Authority to secure its obligations under the outstanding bonds of the Authority's outstanding \$4,000,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2007, (the "**Series 2007 Bond**"), and \$10,135,000 original principal amount Waterworks and Sewer System Revenue Bonds, Series 2010 (the "**Series 2010 Bonds**"). The Bond Resolution authorizes the issuance of additional bonds from time to time on a parity with this Series 2016 Bond and both the Series 2007 Bonds and the Series 2010 Bonds ("**Additional Bonds**") which, when issued in accordance with the provisions of the Bond Resolution, will rank equally and be on a parity therewith.

The Series 2007 Bonds, the Series 2010 Bonds, this Series 2016 Bond and any Additional Bonds are hereinafter collectively referred to as the "**Bonds.**"

The Authority has covenanted to continuously operate and maintain the System and fix and maintain such rates and charges for all services furnished by the System as shall at all times be sufficient (a) to provide for the punctual payment of the principal of and interest on the Bonds and any Junior Lien Bonds, (b) to maintain the 2016 Debt Service Fund and counterpart funds with respect to any other Bonds and thus provide for the punctual payment of the principal of and interest on the Series 2016 Bond and any other Bonds, (c) to maintain any Debt Service Reserve Funds with respect to any Bonds other than this Series 2016 Bond in the manner therein prescribed, (d) to provide for the payment of the expenses of the administration and operation and such expenses for maintenance of the System as may be necessary to preserve the same in good repair and working order, (e) to build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order, (f) to pay all amounts owing under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as may be in effect with respect to the 2016 Debt Service Reserve Fund or any counterpart funds with respect to any other Bonds, and (g) to discharge all obligations imposed by the Enabling Act and the Resolutions.

The Bond Resolution provides that, in addition to other remedies, upon a default in payment of principal of or interest on any Bond, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall declare all Bonds Outstanding immediately due and payable.

This Series 2016 Bond and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer or certain franchise taxes.

This Series 2016 Bond is transferable, as provided in the Bond Resolution, only upon the registration books of the Authority kept for that purpose and maintained by the Registrar, by the holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Series 2016 Bond and an assignment with a written instrument of transfer satisfactory to the Trustee or any other Registrar, as the case may be, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Bond Resolution. Thereupon a new Series 2016 Bond shall be issued to the transferee in exchange therefor as provided in the Bond Resolution. The Authority, the Trustee and the Registrar may deem and treat the person in whose name this Series 2016 Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Series 2016 Bond, the Authority or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this Series 2016 Bond, exist, have been performed and have happened, that the amount of this Series 2016 Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by such Constitution or statutes.

This Series 2016 Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Registrar.

IN WITNESS WHEREOF, EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA, has caused this Series 2016 Bond to be signed by the Chairman of the Authority, its corporate seal to be reproduced hereon and the same to be attested by the Secretary of the Authority.

**EDGEFIELD COUNTY WATER AND SEWER
AUTHORITY, SOUTH CAROLINA**

(SEAL)

By: _____
Chairman, Edgefield County Water and
Sewer Authority

Attest:

By: _____
Secretary, Edgefield County Water
and Sewer Authority

CERTIFICATE OF AUTHENTICATION

This Series 2016 Bond is the issue described in the within mentioned Resolution.

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

By: _____
Authorized Signatory

Date: _____

FORM OF ASSIGNMENT

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

(please print or type name and address of Transferee and Social Security or other identifying number of Transferee)
the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints
_____ attorney to transfer the within Bond on the books kept for
registration thereof, with full power of substitution in the premises.

Dated: _____
(Signature Guaranty)

Authorized Individual or Officer

NOTICE: Signature(s) to the assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or any change whatever.

Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agents Medallion Program ("**STAMP**") or similar program enlargement.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common

UNIF GIFT MIN ACT -

TEN ENT - as tenants by the entireties

_____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to
Minors Act _____
(State)

JT TEN - as joint tenants with
right of survivorship
and not as tenants in
common

Additional abbreviations may also be used although not in above list.

STATE OF SOUTH CAROLINA)
)
COUNTY OF EDGEFIELD)

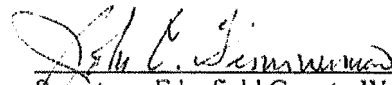
CERTIFICATE OF RESOLUTION

I, the undersigned, Secretary of the Edgefield County Water and Sewer Authority (the "*Authority*"), **DO HEREBY CERTIFY:**

That the foregoing constitutes a true, correct and verbatim copy of the Series Resolution adopted by the governing board of the Authority at a meeting duly called and held on October 24, 2016 at which meeting a quorum of the membership of said board were present.

That the original of said Series Resolution is duly entered in the permanent records of the Authority in my custody as Secretary.

WITNESS my hand this 24th day of October, 2016.



Secretary, Edgefield County Water and
Sewer Authority




**STATE OF SOUTH CAROLINA
OFFICE OF THE STATE TREASURER
FILING FOR DEBT ISSUE BY POLITICAL SUBDIVISION**

1. (a) Name of Issuer: Edgefield County Water and Sewer Authority, South Carolina
(b) County where Issuer is located: Edgefield and Aiken Counties
2. Issuer Category:
☐ (a) County
☐ (b) Municipality
☐ (c) School Board
☒ (d) Special Purpose District
☐ (e) Other _____
3. Date and Title of Issue:
\$2,340,000 Edgefield County Water and Sewer Authority, South Carolina Waterworks and Sewer System Revenue Bonds, Series 2016; dated November 3, 2016
4. Type Obligation:
☐ (a) General Obligation Bond
☐ (b) General Obligation BAN, TAN
☒ (c) Revenue Bond
☐ (d) Other _____
(Specify - i.e.: capital lease, note, mortgage, loan, etc.)
5. Purpose of Issuance
☒ (a) Water Utility
☐ (b) Electric Utility
☐ (c) Gas Utility
☐ (d) Industrial Revenue
☐ (e) Single Family Mortgage Revenue
☒ (f) Sewer System
☐ (g) Parks/Recreation
☐ (h) Streets/Bridges
☐ (i) Drainage/Flood Control
☐ (j) Government Facilities
☐ (k) Other - Specify _____

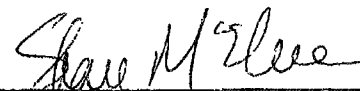
6. Original Principal to be Borrowed: \$2,340,000
7. Interest Rate: 1.63%
If more than one rate, give average effective rate:
8. Schedule of Principal Amounts Due and Rates for the Above Indebtedness (Use Schedule of Principal): *See attached Exhibit A*
9. Schedule of Principal and Interest Due for the above Indebtedness (Use Schedule of Principal and Interest): *See attached Exhibit A*

October 31, 2016



Administrator
Edgefield County Water and Sewer Authority

RECEIVED this 1 day of November, 2016.



For the State Treasurer of the State of South Carolina

EXHIBIT A

Period Ending	Principal	Coupon	Interest	Debt Service
11/3/2016				
7/1/2017			\$25,216.10	\$25,216.10
1/1/2018	448,000	1.630%	19,071.00	467,071.00
6/30/2018				
7/1/2018			15,419.80	15,419.80
1/1/2019	462,000	1.630%	15,419.80	477,419.80
6/30/2019				
7/1/2019			11,654.50	11,654.50
1/1/2020	469,000	1.630%	11,654.50	480,654.50
6/30/2020				
7/1/2020			7,832.15	7,832.15
1/1/2021	476,500	1.630%	7,832.15	484,332.15
6/30/2021				
7/1/2021			3,948.68	3,948.68
1/1/2022	484,500	1.630%	3,948.68	488,448.68
6/30/2022				
	\$2,340,000		\$121,997.35	\$2,461,997.35

TRANSFER RESTRICTED

THIS BOND MAY BE SOLD OR TRANSFERRED IN WHOLE OR IN PART ONLY TO A PURCHASER OR TRANSFEREE CONSTITUTING A QUALIFIED INVESTOR (AS SUCH TERM IS DEFINED IN THE HEREAFTER DEFINED SERIES RESOLUTION UNDER WHICH THIS SERIES 2016 BOND IS ISSUED), AND ONLY UPON SUCH QUALIFIED INVESTOR DELIVERING TO THE AUTHORITY AN INVESTMENT LETTER IN THE FORM REQUIRED UNDER THE SERIES RESOLUTION

**EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA
WATERWORKS AND SEWER SYSTEM REVENUE BOND
SERIES 2016**

No. R-1

\$2,340,000

Issue Date
November 3, 2016

Maturity Date
January 1, 2022

Interest Rate
1.63%

REGISTERED HOLDER: BRANCH BANKING AND TRUST COMPANY

PRINCIPAL SUM: TWO MILLION THREE HUNDRED FORTY THOUSAND DOLLARS

EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA (the "**Authority**"), acknowledges itself indebted and for value received hereby promises to pay, solely from the sources and as hereinafter provided, to the Registered Holder or its registered assigns, the Principal Sum named above on the payment dates set forth below, unless this Bond shall have been redeemed prior thereto as hereinafter provided and to pay interest on such principal amount at the Interest Rate stated above (calculated on the basis of a 360-day year of twelve 30-day months), until the obligation of the Authority with respect to the payment of such principal amount shall be discharged. Interest on the Bond shall be payable semiannually each January 1 and July 1, commencing July 1, 2017. Principal of the Bond will be payable in annual installments on each January 1 in each of the years and in the amounts as follows:

<u>Year</u>	<u>Principal Amount</u>
2018	\$448,000
2019	462,000
2020	469,000
2021	476,500
2022	484,500

This Series 2016 Bond is issued pursuant to and in accordance with the Constitution and statutes of the State of South Carolina (the "**State**"), including particularly Chapter 17, Title 6, inclusive, Code of Laws of South Carolina 1976, as amended, and a Bond Resolution (the "**Bond Resolution**") and a Series Resolution (the "**Series Resolution**") duly adopted by the members of the governing board of the Authority on February 24, 1998 and October 24, 2016, respectively (the Bond Resolution and the Series Resolution are hereinafter collectively referred to as the "**Resolutions**"), for the purpose of obtaining funds to (i) defray the costs of certain improvements to the waterworks and sewer system of the Authority (the "**System**") and (ii) pay costs of issuance of the Series 2016 Bond.

Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolutions. Certified copies of the Resolutions are on file in the office of the Trustee and in the offices of the Clerks of Court for Edgefield and Aiken Counties, South Carolina.

This Series 2016 Bond will bear interest from the later of the date of delivery or the date to which interest has been paid immediately preceding the authentication date thereof, unless the authentication date thereof is a January 1 or July 1, in which event, this Series 2016 Bond will bear interest from the earlier of such authentication date or the date to which interest has last been paid. Both principal of and interest on this Series 2016 Bond will be paid to the person in whose name this Series 2016 Bond is registered at the close of business on the December 15 or June 15 immediately preceding such January 1 or July 1 (the "**Record Dates**"). Principal and interest hereon shall be payable by check or draft mailed at the times provided herein from the office of the Paying Agent to the person in whose name this Series 2016 Bond is registered on the Record Date at the address shown on the registration books, or upon request, prior to the applicable Record Date, by wire transfer to the registered owner hereof at a bank account in the continental United States specified in such request. The principal of, redemption premium, if any, and interest on this Series 2016 Bond are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, without presentation or surrender of this Bond, provided, the Trustee assumes no liability to any person in the event that the bondholder should fail to return the bond to the Trustee after final payment and that no obligation will be imposed upon the Trustee to seek the return of the bond from the bondholder.

This Bond shall be subject to redemption prior to maturity, at the option of the Authority, at any time, in whole but not in part, at the redemption price equal to the par amount of the Bond to be redeemed, together with the interest accrued on such principal amount to the date fixed for redemption.

Both the principal of and interest on this Series 2016 Bond, as the same shall become due, are payable solely from the Gross Revenues derived from the operation of the System (the "**Gross Revenues**"), and for the payment hereof and the issue of which it forms a part, there are hereby irrevocably pledged the Gross Revenues. The Authority is not obligated to pay this Series 2016 Bond, or the interest hereon, save and except from the Gross Revenues.

THIS SERIES 2016 BOND SHALL NOT IN ANY EVENT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR STATUTES OF THE STATE, OTHER THAN THOSE PROVISIONS AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A REVENUE-PRODUCING PROJECT NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE; AND THE FAITH, CREDIT AND TAXING POWER OF THE AUTHORITY ARE NOT PLEDGED HERETO.

The pledge of Gross Revenues given by the Authority to secure this Series 2016 Bond is on a parity in all respects with the pledge of revenues by the Authority to secure its obligations under the outstanding bonds of the Authority's \$4,000,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2007, (the "**Series 2007 Bond**"), and \$10,135,000 original principal amount Waterworks and Sewer System Revenue Bonds, Series 2010 (the "**Series 2010 Bonds**"). The Bond Resolution authorizes the issuance of additional bonds from time to time on a parity with this Series 2016 Bond and both the Series 2007 Bonds and the Series 2010 Bonds ("**Additional Bonds**") which, when issued in accordance with the provisions of the Bond Resolution, will rank equally and be on a parity therewith. The Series 2007 Bonds, the Series 2010 Bonds, this Series 2016 Bond and any Additional Bonds are hereinafter collectively referred to as the "**Bonds**."

The Authority has covenanted to continuously operate and maintain the System and fix and maintain such rates and charges for all services furnished by the System as shall at all times be sufficient (a) to provide for the punctual payment of the principal of and interest on the Bonds and any Junior Lien Bonds, (b) to maintain the 2016 Debt Service Fund and counterpart funds with respect to any other Bonds and thus provide for the punctual payment of the principal of and interest on the Series 2016 Bond and any other Bonds, (c) to maintain any Debt Service Reserve Funds with respect to any Bonds other than this Series 2016 Bond in the manner therein prescribed, (d) to provide for the payment of the expenses of the administration and operation and such expenses for maintenance of the System as may be necessary to preserve the same in good repair and working order, (e) to build and maintain a reserve for depreciation of the System, for contingencies and for improvements, betterments and extensions to the System other than those necessary to maintain the same in good repair and working order, (f) to pay all amounts owing under a reimbursement agreement with any provider of a surety bond, line of credit, insurance policy or letter of credit as may be in effect with respect to the 2016 Debt Service Reserve Fund or any counterpart funds with respect to any other Bonds, and (g) to discharge all obligations imposed by the Enabling Act and the Resolutions.

The Bond Resolution provides that, in addition to other remedies, upon a default in payment of principal of or interest on any Bond, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding shall declare all Bonds Outstanding immediately due and payable.

This Series 2016 Bond and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer or certain franchise taxes.

This Series 2016 Bond is transferable, as provided in the Bond Resolution, only upon the registration books of the Authority kept for that purpose and maintained by the Registrar, by the holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Series 2016 Bond and an assignment with a written instrument of transfer satisfactory to the Trustee or any other Registrar, as the case may be, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Bond Resolution. Thereupon a new Series 2016 Bond shall be issued to the transferee in exchange therefor as provided in the Bond Resolution. The Authority, the Trustee and the Registrar may deem and treat the person in whose name this Series 2016 Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Series 2016 Bond, the Authority or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.


It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this Series 2016 Bond, exist, have been performed and have happened, that the amount of this Series 2016 Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by such Constitution or statutes.

This Series 2016 Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Registrar.

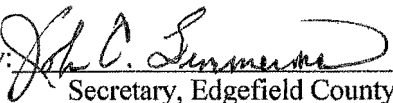
IN WITNESS WHEREOF, EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA, has caused this Series 2016 Bond to be signed by the Chairman of the Authority, its corporate seal to be reproduced hereon and the same to be attested by the Secretary of the Authority.

EDGEFIELD COUNTY WATER AND SEWER
AUTHORITY, SOUTH CAROLINA

(SEAL)

By: 
Chairman, Edgefield County Water and
Sewer Authority

Attest:


By: 
Secretary, Edgefield County Water
and Sewer Authority

SPECIMEN

CERTIFICATE OF AUTHENTICATION

This Series 2016 Bond is the issue described in the within mentioned Resolutions.

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

By: 
Authorized Signatory

Date: November 3, 2016

SPECIMEN

FORM OF ASSIGNMENT

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

(please print or type name and address of Transferee and Social Security or other identifying number of Transferee)

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

Dated: _____
(Signature Guaranty)

Authorized Individual or Officer

NOTICE: Signature(s) to the assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or any change whatever.

Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agents Medallion Program ("**STAMP**") or similar program enlargement.

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common

UNIF GIFT MIN ACT -

TEN ENT - as tenants by the entireties

(Cust) Custodian (Minor)

JT TEN - as joint tenants with
right of survivorship
and not as tenants in
common

under Uniform Gifts to
Minors Act _____
(State)

Additional abbreviations may also be used although not in above list.

SIGNATURE CERTIFICATE

We, the undersigned, Chairman and Secretary of the governing body of Edgefield County Water and Sewer Authority, South Carolina (the "**Authority**"), **DO HEREBY CERTIFY** that we did, prior to the date hereof, officially sign, attest, and seal, by the undersigned Chairman of the Authority and by the undersigned Secretary of the Authority, the \$2,340,000 Waterworks and Sewer System Revenue Bond, Series 2016, of the Authority (the "**Bond**").

The Bond is in fully registered form, dated November 3, 2016, and bears interest from its date at the rate of 1.63% per annum payable semiannually on January 1 and July 1 of each year commencing July 1, 2017, until the Bond is paid. The principal of the Bond is payable on January 1 of each of the years and in the principal amounts as follows:

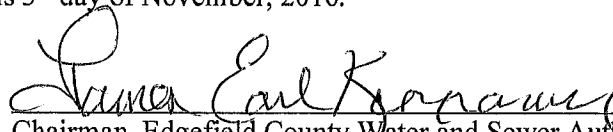
<u>Year</u>	<u>Principal Amount</u>
2018	\$448,000
2019	462,000
2020	469,000
2021	476,500
2022	484,500

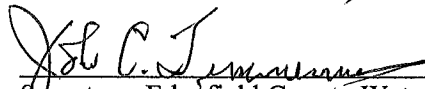
We are as of this date, the duly chosen, qualified and acting officers indicated above and are authorized to execute this certificate.

The corporate seal of the Authority is impressed on the Bond, a true impression of said seal being impressed hereon.

DONE AND DELIVERED this 3rd day of November, 2016.

(SEAL)


Chairman, Edgefield County Water and Sewer Authority


Secretary, Edgefield County Water and Sewer Authority

CLOSING CERTIFICATE

We, the undersigned, Chairman and Secretary of the governing body of Edgefield County Water and Sewer Authority, South Carolina (the "**Authority**"), in connection with the delivery this day of the \$2,340,000 Waterworks and Sewer System Revenue Bond, Series 2016, of the Authority (the "**Bond**"), **DO HEREBY CERTIFY** as follows:

1. Incumbency. As of the date hereof, we are the duly chosen, qualified and acting Chairman and Secretary of the Authority, respectively, and are authorized to execute this certificate.

2. Due Authorization of Resolutions and Other Documents. The Bond is issued pursuant to and in accordance with the Constitution and statutes of the State of South Carolina including particularly Chapter 17, Title 6, of the Code of Laws of South Carolina 1976, as amended (the "**Enabling Act**"), the Bond Resolution of the Authority duly adopted by the Authority on February 24, 1998 (the "**Bond Resolution**") and the Series Resolution of the Authority duly adopted by the Authority on October 24, 2016 (the "**Series Resolution**") (the Bond Resolution and the Series Resolution, together, the "**Resolutions**"). The Resolutions are in full force and effect as of the date hereof, and the same have not been modified, amended or repealed since the date of their respective enactments. The sale of the Bond to Branch Banking and Trust Company has been duly authorized pursuant to the Resolutions.

3. No Litigation. There is no action, suit, proceeding, or inquiry or investigation at law or in equity or before or by any public board or body pending or, to our knowledge, threatened against or affecting the Authority or its property or, to our knowledge, any basis therefor, wherein an unfavorable decision, ruling, or finding would materially adversely affect the transactions contemplated hereby or by the Resolutions or the validity or enforceability of the Bond or the Resolutions.

4. No Conflict. The execution, delivery, receipt, and due performance of the Bond, the Resolutions and the other agreements contemplated by the Resolutions and the Authority's compliance with the provisions thereof will not conflict with or be in violation of the Enabling Act, the Resolutions or any existing law or court or administrative regulation, rule, decree, judgment, or order or conflict with or constitute on the Authority's part a breach of or a default under any agreement, note, indenture, mortgage, security deed, resolution, lease, indebtedness, lien, plan, instrument, or other restriction to which the Authority is subject or by which the Authority is or may be bound.

5. No Adverse Change. Since October 20, 2016, which is the date of the offer of Branch Banking and Trust Company to purchase the Bond, there has not been any material adverse change in the operations, properties, financial position, or results of operations of the waterworks and sewer system of the Authority (the "**System**"), whether or not arising from transactions in the ordinary course of business, and the Authority has not suffered or incurred any material liability relating to the System.

6. No Defaults. The Authority is not in default in the payment of the principal of or interest on any of its Bonds, Junior Lien Bonds or other indebtedness for borrowed money and is not in default under any instrument under and subject to which any such indebtedness has been incurred, and no event has occurred and is continuing under the provisions of any such instrument which, with the lapse of time or the giving of notice, or both, would constitute an event of default thereunder.

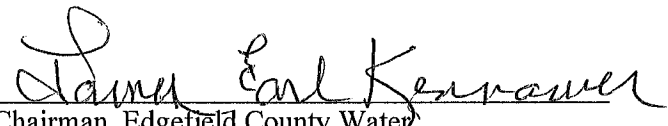
7. Qualified Tax-Exempt Obligation. The Authority does not anticipate the issuance of more than \$10,000,000 in tax-exempt obligations, by itself or any entities subordinate thereto, in calendar year 2016. Accordingly, pursuant to Section 8.03 of the Series Resolution, the Authority has designated the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

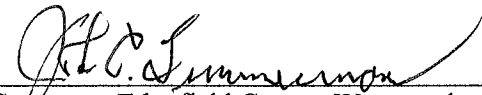
8. Board Meeting Minutes. The undersigned Secretary of the Authority is the duly qualified and acting Secretary of the Authority, and the recorder and custodian of its official records, and as such official, further certifies that attached hereto are copies of excerpts of the minutes of the meeting of the Authority held on October 24, 2016; and the undersigned Secretary of the Authority has compared such copies with the official record of minutes of said meeting in his official custody and that such copies are true and correct excerpts of the transcripts from the original records of minutes insofar as the original minutes record relates to the issuance of the Bond.

9. Freedom of Information Act Requirements. As required by Chapter 4, Title 30 of the Code of Laws of the State of South Carolina, 1976, as amended (the "*Act*"), being the Freedom of Information Act, a copy of the agenda of said October 24, 2016 meeting of the Authority (showing the date, time and place of the meeting) was posted in the lobby of the office of the Authority at 100 Waterworks Road, Edgefield, South Carolina and on the Authority's website, and all major local media outlets as have requested notification were provided with notice. As required by the Act, the meeting of the Authority held on the above-mentioned date was open to the public except those portions allowed to be held in closed session under the Act.

10. In accordance with Section 6.02 of the Series Resolution, the 2016 Construction Fund shall be established for the account of the Authority. Disbursements therefrom shall be made in accordance with the Series Resolution.

DONE AND DELIVERED this day 3rd of November, 2016.


Chairman, Edgefield County Water
and Sewer Authority


Secretary, Edgefield County Water and
Sewer Authority

PROPOSED FIXED BASED AMI METER READING BOND RESOLUTION

Administrator Hare discussed with the Board a proposal to move forward with a system wide water meter replacement program with an AMI (smart meter) system. This system would eliminate two meter reader positions and would result in a net reduction in personnel at the Authority of two employees. Hare also presented information that showed a financial payback for the system over the course of 20 years. After the last Board meeting, Administrator contacted Haynesworth, Sinkler, & Boyd, Bond attorney's for the Authority about financing opportunities for the project. A Request For Proposals was sent out to over 20 financial institutions for a \$2,340,000 bond, with a payback schedule of 5 years. A low bid of an interest rate of 1.63% was received by the Authority. Administrator Hare recommended to the Board a Resolution approving the issuance of a 2016 Series Bond in the amount of \$2,340,000 to fund the project. A motion was made by Johnson to approve the Resolution. Second by Kitchens. During the discussion, Mr. Timmerman asked how the Authority's meters in Johnston (of the same type) were performing. Administrator Hare relayed that they were performing quite well with 99% + of the meters connecting and reading daily. All other Board members commented that they felt the time was right to proceed, and that interest rates were at historic lows. Administrator Hare further added that if approved, the Authority should be able to start installing meters in January 2017. Mr. Kitchens also asked if staff could contact the S.C. Department of Revenue to request a waiver or exemption on sales tax on the water meters. Administrator Hare explained that typically the only items exempted for the Authority are those that are directly related to the production of water. No further discussion. Vote unanimous.

A RESOLUTION

PROVIDING FOR THE ISSUANCE AND SALE OF AN EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA WATERWORKS AND SEWER SYSTEM REVENUE BOND, SERIES 2016, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING TWO MILLION THREE HUNDRED FORTY THOUSAND DOLLARS (\$2,340,000) AND OTHER MATTERS RELATING THERETO.

SERIES RESOLUTION
Adopted October 24, 2016

DONE, RATIFIED AND ADOPTED this 24th day of October, 2016.

(SEAL)

Chairman, Edgefield County Water and
Sewer Authority

Attest:

Secretary, Edgefield County Water and
Sewer Authority

STATE OF SOUTH CAROLINA)
)
COUNTY OF EDGEFIELD)

CERTIFICATE OF RESOLUTION

I, the undersigned, Secretary of the Edgefield County Water and Sewer Authority (the "*Authority*"), **DO HEREBY CERTIFY:**

That the foregoing constitutes a true, correct and verbatim copy of the Series Resolution adopted by the governing board of the Authority at a meeting duly called and held on October 24, 2016 at which meeting a quorum of the membership of said board were present.

That the original of said Series Resolution is duly entered in the permanent records of the Authority in my custody as Secretary.

WITNESS my hand this 24th day of October, 2016.

Secretary, Edgefield County Water and
Sewer Authority

LETTER OF INSTRUCTIONS

November 3, 2016

Branch Banking and Trust Company
Columbia, South Carolina

Re: \$2,340,000 Edgefield County Water and Sewer Authority, South Carolina Waterworks and Sewer System Revenue Bond, Series 2016 (the "**Bond**")

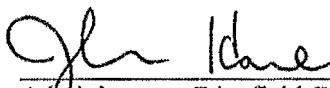
Ladies/Gentlemen:

This letter of instructions is being delivered to Branch Banking and Trust Company (the "**Purchaser**") with respect to the payment and disposition of the proceeds of the sale of the Bond to the Purchaser. The Bond is being issued pursuant to a Bond Resolution of the Authority duly adopted by the Authority on February 24, 1998 (the "**Bond Resolution**") and the Series Resolution of the Authority duly adopted by the Authority on October 24, 2016 (the "**Series Resolution**") (the Bond Resolution and the Series Resolution, together, the "**Resolutions**").

Disposition of proceeds of the Bond:

1. The Purchaser is hereby instructed to transfer by federal funds wire the sum of \$2,335,000 to First Citizens Bank, ABA No. 053100309 Account No. 009161752116, Ref: Series 2016 Bond, for Edgefield County Water and Sewer Authority, 100 Waterworks Road, Edgefield, South Carolina 29824, to be deposited in the 2016 Construction Fund established pursuant to the Series Resolution to defray costs of the Improvements and pay costs of issuance of the Bond. The contact person at First Citizens Bank is Patsy Easler at 803-637-9034.

2. The Purchaser shall retain the sum of \$5,000 (representing the bank counsel fee for the Bond).



Administrator, Edgefield County Water
and Sewer Authority

ARBITRAGE AND TAX COMPLIANCE CERTIFICATE
relating to
\$2,340,000
Edgefield County Water and Sewer Authority, South Carolina
Waterworks and Sewer System Revenue Bond, Series 2016

The undersigned Chairman of the governing board (the “**Board**”) of the Edgefield County Water and Sewer Authority, South Carolina (the “**Issuer**” or the “**Authority**”), and the Administrator of the Issuer, **HEREBY CERTIFY**, pursuant to Sections 1.148-0 through 1.148-11, 1.141-1 through 1.141-14, and 1.150 1 and 1.150 2 of the Treasury Regulations (the “**Regulations**”) applicable to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the “**Code**”), their reasonable expectations relating to the authorization, sale, issuance and application of the Proceeds of the Issuer’s \$2,340,000 Edgefield County Water and Sewer Authority, South Carolina, Waterworks and Sewer System Revenue Bond, Series 2016 (the “**Series 2016 Bond**”). The undersigned are duly authorized to execute and deliver this Arbitrage and Tax Compliance Certificate (this “**Certificate**”) and are charged, with others, with the responsibility for issuing the Series 2016 Bond. This Tax Compliance Certificate may be relied upon as the certification of the “issuer” pursuant to section 1.148-2(b)(2) of the Regulations (as in effect on the date hereof), promulgated under section 148 of the Code and is delivered as part of the record of proceedings with respect to the Series 2016 Bond. This Certificate is based upon facts and estimates in existence on the date hereof, which is the date of original delivery of the Series 2016 Bond.

The Series 2016 Bond is being issued pursuant to (i) the Constitution and laws of the State of South Carolina (the “**State**”), including particularly Title 6, Chapter 17, Code of Laws of South Carolina 1976, as amended (the “**Act**”), and (ii) a general bond resolution adopted by the Board on February 24, 1998 (the “**Bond Resolution**”), and a Series Resolution adopted by the Board on October 24, 2016 (the “**Series Resolution**”) (the Bond Resolution and the Series Resolution are collectively referred to as the “**Resolutions**”). The Series 2016 Bond is initially secured by and payable solely from the gross revenues of the Issuer’s waterworks and sewer system (the “**System**”).

Capitalized terms not defined in this Certificate which are defined in the Resolutions are intended to have the meanings assigned in such documents. Certain capitalized terms contained in this Certificate are terms of art relating to the exclusion of interest on State and local debt obligations from gross income for federal income tax purposes (“**Tax Terms**”). Such Tax Terms are intended to have the meaning provided in the Internal Revenue Code of 1986, as amended (the “**Code**”), or its predecessor or successor laws and in Treasury Regulations intended to implement such tax laws (the “**Regulations**”). For purposes of the operative representations and covenants in this Certificate, in the event of any inconsistency between the definition of Tax Terms contained herein and the meaning of such Tax Terms from time to time under the tax laws of the United States, the meaning provided in the tax laws of the United States will control.

1. The Bonds; Governmental Purposes. The Series 2016 Bond is being issued for the purposes of defraying a portion of the cost of the acquisition and installation of Advanced Metering Infrastructure throughout the Authority’s water distribution system which will include the replacement of water meters and meter box lids and the installation of data collectors, associated infrastructure and related improvements (collectively, the “**Project**”) and paying certain costs incurred in connection with the issuance of the Series 2016 Bond.

2. Sale of the Bond, Issue Price. The Series 2016 Bond is dated the date of delivery and bears interest from that date. The Series 2016 Bond was sold by the Issuer to Branch Banking and Trust Company (the “**Purchaser**”) pursuant to a competitive sale as a private placement for its investment and not for the purposes of resale or distribution, for a purchase price equal to \$2,340,000.

3. Application of Sale Proceeds. On the basis of the facts, estimates and circumstances in existence on the date hereof, we reasonably expect the following with respect to the expenditure of the Sale Proceeds of the Series 2016 Bond in the amount of \$2,340,000:

(a) \$33,525.00 will be expended to pay costs of issuance within 90 days after the date hereof; and

(b) the remaining sum equal to \$2,306,475.00 will be deposited into the 2016 Construction Fund and used, together with investment income to be received thereon, to pay a portion of the costs of the Project.

The total Sale Proceeds of the Series 2016 Bond and reasonably expected investment earnings thereon do not exceed the total of the amounts necessary for the purposes described above.

5. The Project. Work on the acquisition and construction of the Project and the allocation of Sale Proceeds and earnings thereon to expenditures therefor will proceed with due diligence. The Authority has entered into, or will, within six months of the date hereof, enter into, binding contracts or commitments obligating the expenditure of not less than 5% of the Sale Proceeds toward the cost of the Project. At least 85% of the Net Sale Proceeds (within the meaning of Section 1.148-1 of the Regulations) of the Series 2016 Bond are expected to be expended on the costs of the Project and issuance costs by November 3, 2019.

6. Establishment of 2016 Debt Service Fund. The Resolution establishes a 2016 Debt Service Fund (the "**Debt Service Fund**") into which will be deposited amounts necessary to pay debt service on the Series 2016 Bond, taking into account any investment earnings on the Debt Service Fund, which will be retained therein. The Debt Service Fund is designed to achieve a proper matching of revenues with the debt service on the Series 2016 Bond within each Bond Year. Amounts deposited to the Debt Service Fund will be depleted at least once each Bond Year except for a reasonable carryover amount which will not exceed the greater of (i) earnings for the immediately preceding Bond Year on the Debt Service Fund and (ii) one-twelfth (1/12) of the principal and interest payments on the Series 2016 Bond for the immediately preceding Bond Year. The expenditure of money deposited to the Debt Service Fund shall be accounted for on the basis of the first-in, first-out method.

Other than the 2016 Debt Service Fund, there are no other funds or accounts of the Issuer established pursuant to the Resolutions or otherwise, which may be used to pay debt service on the Series 2016 Bond, are pledged as collateral for the Series 2016 Bond or are pledged or otherwise available to repay the issuers of any guarantees of the Series 2016 Bond.

7. Yield Limitations. Amounts derived from the sale of the Series 2016 Bond and the amounts deposited in the funds and accounts with respect to the Series 2016 Bond described above may be invested as follows:

(a) Sale Proceeds of the Series 2016 Bond deposited in the 2016 Construction Fund and Investment Proceeds thereof may be invested for a temporary period extending to November 3, 2019, at an unrestricted Yield and thereafter at a Yield not Materially Higher (within the meaning of Section 1.148-2(d) of the Regulations) than the Yield on the Series 2016 Bond;

(b) Sale Proceeds of the Series 2016 Bond used to pay the issuance costs of the Series 2016 Bond may be invested for a temporary period not to exceed 90 days, at an unrestricted Yield;

(c) investment earnings on obligations acquired with amounts described in subparagraph (a) and (b) may be invested at an unrestricted Yield for a period not to exceed one year from the date of receipt thereof;

(d) revenues deposited in the 2016 Debt Service Fund may be invested at an unrestricted Yield for a period not exceeding 13 months from the date of deposit of such amounts to such fund; earnings on such amounts which are retained in such fund may be invested at an unrestricted Yield for a period not exceeding one year from the date of receipt of the amount earned;

(e) upon the expiration of the temporary periods described above amounts described in said subparagraphs which may be invested at an unrestricted Yield pursuant to such paragraphs may be invested at an unrestricted Yield to the extent that such amounts do not aggregate in excess of \$100,000;

(f) amounts on deposit in the Operation and Maintenance Fund, the Depreciation and Contingent Fund or in the General Revenue Fund may be invested at an unrestricted Yield; and

(g) amounts described in this paragraph that may not be invested at an unrestricted Yield pursuant to subparagraphs (a) through (f), and any other amounts constituting Gross Proceeds of the Series 2016 Bond, which may not be invested at an unrestricted Yield pursuant to such subsections shall be invested in Tax Exempt Obligations which are not Specified Private Activity Bonds under Section 57 of the Code, in taxable obligations having a Yield not Materially Higher than the Yield on the Bonds, or in a manner that qualifies for Yield Reduction Payments under Section 1.148-5(c) of the Regulations.

8. Pertaining to Yields. For the purpose of this Certificate, Yield shall mean that discount rate that, when used in computing the present value, as of the Issue Date (in the case of the Series 2016 Bond) or purchase date (in the case of Investments), of all unconditionally payable payments of principal and interest to be paid on the Series 2016 Bond or the investment, as applicable (plus, in the case of the Series 2016 Bond, fees for Qualified Guarantees or Qualified Hedges, as defined in the Regulations), produces an amount equal to the present value, using the same discount rate, of the aggregate Issue Price of the Series 2016 Bond as of the Issue Date or of the purchase price of the Investments as of the date of purchase thereof, as the case may be. For purposes of calculating the Yield on the Series 2016 Bond, the Issue Price of the Series 2016 Bond is the initial purchase price paid by the Purchaser equal to the aggregate principal amount of the Series 2016 Bond, without accrued interest. The Issuer will compute the Yield on the Series 2016 Bond in the manner and at the times as (and if) necessary under Section 147(f)(4) of the Code and Section 1.148-3 of the Regulations for purposes of computing rebatable arbitrage.

9. No Replacement Proceeds. No portion of the proceeds of the Series 2016 Bond will be used as a substitute for other funds which were otherwise to be used to accomplish the governmental purposes of the Series 2016 Bond. Except for monies on deposit from time to time in the 2016 Debt Service Fund, there are no obligations or amounts pledged (directly or indirectly) by the Issuer as security for the payment of debt service on the Series 2016 Bond for which there is a reasonable assurance that such obligations or amounts will be available to pay debt service on the Series 2016 Bond in the event the Issuer encounters financial difficulties. The reasonably expected weighted economic life of the assets constituting the Project is not less than 20 years. The weighted average maturity of the Series 2016 Bond is 3.2002 years.

10. No Transfers. The Issuer does not expect to sell, encumber or otherwise dispose of any property financed with the Proceeds of the Series 2016 Bond except such minor parts or portions thereof as may be disposed of due to normal wear, obsolescence or depreciation, prior to the final maturity date of the Series 2016 Bond.

11. Post Issuance Tax Compliance. (a) The facilities comprising the Project will be owned and operated exclusively by the Issuer in accomplishing its governmental purpose to provide utility services to residents and customers of the Issuer. There are no leases or management contracts relating to the Project. The Issuer reasonably expects that not more than 10% of the facilities comprising the Project financed by the Series 2016 Bond will be used (within the meaning of Section 141(b) of the Code) in a trade or business carried on by persons other than governmental units (as defined in the Regulations). The Issuer will not enter into any take contracts, take-or-pay contracts or wholesale requirements contracts that transfer the benefits and burdens of ten percent or more of Project to any private business user. None of the proceeds of the Series 2016 Bond will be loaned to any non-governmental entity. Therefore, the Series 2016 Bond will not constitute a Private Activity Bond (within the meaning of Section 141(a) of the Code).

(b) The Issuer will comply with the requirements of Section 148(f) of the Code regarding computation and payment of arbitrage rebate. The Issuer reasonably expects it will satisfy one of the spending exceptions to payment of arbitrage rebate in respect of the Proceeds of the Series 2016 Bond. The Issuer will keep records to confirm that such exception has been met or will compute and pay rebatable arbitrage at the times and in the amounts required by the Code and Regulations.

(c) The Issuer adopted written post issuance tax compliance policies and procedures to ensure that the interest on the Series 2016 Bond and other tax advantaged debt of the Issuer will remain excluded from gross income for federal income tax purposes. The Issuer will implement and comply with such written post issuance tax compliance policies and procedures, as revised from time to time in accordance with their terms.

12. No Composite Issue. There are no other obligations of the Issuer which (a) were or will be sold within 15 days of date of sale of the Series 2016 Bond, (b) were or will be sold pursuant to the same plan of financing as the plan of financing for the Series 2016 Bond, and (c) are reasonably expected to be paid from substantially the same source of funds as the Series 2016 Bond.

13. Series 2016 Bond is not an Abusive Arbitrage Device. The Series 2016 Bond is not and will not be part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations (a) enabling the Issuer to exploit the difference between tax-exempt and taxable interest rates to obtain a material financial advantage and (b) overburdening the market for tax-exempt obligations.

14. Series 2016 Bond is not a Hedge Bond. The Issuer reasonably expects that at least 85% of the Spendable Proceeds of the Series 2016 Bond will be spent for the governmental purpose of the issue within a three year period after the date hereof and that not more than 50% of the Proceeds of the Series 2016 Bond are invested in Non-purpose Investments having a substantially guaranteed yield for four years or more.

15. Information Return. The Issuer shall file or cause to be filed the requisite Form 8038 G on or before the 15th day of the second month after the calendar quarter in which the Series 2016 Bond is issued. The Issuer has reviewed the Form 8038 G prepared for the Series 2016 Bond, and all of the information contained therein is, to the best of the undersigned's knowledge, true and complete.

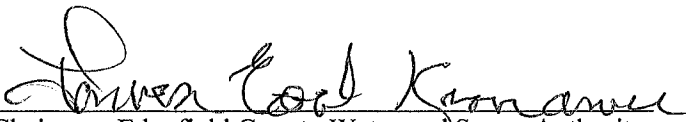
16. Bank Qualification. Based on reasonable expectations, we do hereby represent that the Series 2016 Bond is not a Private Activity Bond as defined in Section 141 of the Code. The Issuer does not reasonably anticipate the amount of tax-exempt obligations (other than Private Activity Bonds which are not qualified 501(c)(3) bonds as defined in Section 145 of the Code) which will be issued by the Issuer and all Subordinate Entities of the Issuer during the calendar year 2016 to exceed \$10,000,000. In

accordance with the provisions of the Code, we do hereby, on behalf of the Issuer, designate the Series 2016 Bond a "Qualified Tax-Exempt Obligation" in accordance with Section 265(b)(3)(B) of the Code.

19. Miscellaneous. To the best of my knowledge, information and belief, the above expectations are reasonable. The Issuer is not aware of any facts or circumstances that would cause it to question the representations made by the Purchaser.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, we have hereunto set our hands as of this 3rd day of November, 2016.


Chairman, Edgefield County Water and Sewer Authority


Administrator, Edgefield County Water and Sewer
Authority

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ☐

1 Issuer's name Edgefield County Water and Sewer Authority, South Carolina		2 Issuer's employer identification number (EIN) 57-0530913
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address) 100 Waterworks Road	Room/suite	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Edgefield, South Carolina 29824		7 Date of issue 11/3/2016
8 Name of issue \$2,340,000 Waterworks and Sewer System Revenue Bond, Series 2016		9 CUSIP number none
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) John Hare, Administrator		10b Telephone number of officer or other employee shown on 10a 803-637-3011

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11 Education	11		
12 Health and hospital	12		
13 Transportation	13		
14 Public safety	14		
15 Environment (including sewage bonds)	15		
16 Housing	16		
17 Utilities	17	2,340,000	00
18 Other. Describe ►	18		
19 If obligations are TANs or RANs, check only box 19a		► <input type="checkbox"/>	
If obligations are BANs, check only box 19b		► <input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box		► <input type="checkbox"/>	

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	1/1/2022	\$ 2,340,000	\$ 2,340,000	3.2002 years	1.63 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22	-0-	
23 Issue price of entire issue (enter amount from line 21, column (b))	23	2,340,000	00
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	33,525	00
25 Proceeds used for credit enhancement	25	-0-	
26 Proceeds allocated to reasonably required reserve or replacement fund	26	-0-	
27 Proceeds used to currently refund prior issues	27	-0-	
28 Proceeds used to advance refund prior issues	28	-0-	
29 Total (add lines 24 through 28)	29	33,525	00
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	2,306,475	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	►	_____ years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	►	_____ years
33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	►	_____
34 Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	►	_____

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 83773S

Form **8038-G** (Rev. 9-2011)

Part VI Miscellaneous

- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) **35**
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) **36a**
- b** Enter the final maturity date of the GIC ▶ _____
- c** Enter the name of the GIC provider ▶ _____
- 37** Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units **37**
- 38a** If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the following information:
- b** Enter the date of the master pool obligation ▶ _____
- c** Enter the EIN of the issuer of the master pool obligation ▶ _____
- d** Enter the name of the issuer of the master pool obligation ▶ _____
- 39** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☒
- 40** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐
- 41a** If the issuer has identified a hedge, check here ▶ ☐ and enter the following information:
- b** Name of hedge provider ▶ _____
- c** Type of hedge ▶ _____
- d** Term of hedge ▶ _____
- 42** If the issuer has superintegrated the hedge, check box ▶ ☐
- 43** If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ▶ ☒
- 44** If the issuer has established written procedures to monitor the requirements of section 148, check box ▶ ☒
- 45a** If some portion of the proceeds was used to reimburse expenditures, check here ▶ ☐ and enter the amount of reimbursement ▶ _____
- b** Enter the date the official intent was adopted ▶ _____

Signature and Consent

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.

Signature of issuer's authorized representative

Date

John Hare, Administrator

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if self-employed

PTIN

Bradford L. Love

Bradford L. Love

11/29/16

P01077775

Firm's name ▶ Haynsworth Sinkler Boyd, P.A.

Firm's EIN ▶ 57-1111443

Firm's address ▶ PO Box 2048, Greenville SC 29602

Phone no. 864.240.3200

Haynsworth
Sinkler Boyd, P.A.

ATTORNEYS AND COUNSELORS AT LAW

ONE NORTH MAIN, 2ND FLOOR (29601-2772)
POST OFFICE BOX 2048 (29602-2048)
GREENVILLE, SOUTH CAROLINA
TELEPHONE 864.240.3200
FACSIMILE 864.240.3300
WEBSITE www.hsblawfirm.com

November 30, 2016

Internal Revenue Service Center
Ogden, Utah 84201

Re: \$2,340,000 Edgefield County Water and Sewer Authority, South Carolina Waterworks and Sewer
System Revenue Bond, Series 2016

Ladies and Gentlemen:

I enclose for filing Information Return 8038-G relating to the above-referenced issues.

Thank you for your assistance.

Very truly yours,



Sheila Davies
Paralegal to Bradford L. Love

sd
Enclosures

**APPOINTMENT OF TRUSTEE,
REGISTRAR AND PAYING AGENT**

November 3, 2016

The Bank of New York Mellon Trust Company, N.A.
Jacksonville, Florida

Re: \$2,340,000 Edgefield County Water and Sewer Authority, South Carolina Waterworks
and Sewer System Revenue Bond, Series 2016 (the "**Bond**")

Ladies and Gentlemen:

Pursuant to Section 4.07 of the Series Resolution adopted October 24, 2016 (the "**Series Resolution**") by the governing body of Edgefield County Water and Sewer Authority (the "**Authority**"), and the Bond Resolution adopted February 24, 1998 (the "**Bond Resolution**") by said governing body, you have been appointed to serve as Trustee, Registrar and Paying Agent for the Bonds. Pursuant to the Bond Resolution and the Series Resolution, you shall have custody and maintain control of the 2016 Debt Service Fund, as established under 4.06 of the Series Resolution.

Please signify your acceptance of this appointment and acknowledgement of the attendant duties in the place provided below.

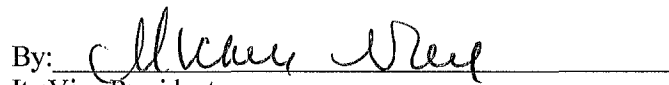
**EDGEFIELD COUNTY WATER AND SEWER
AUTHORITY**


Chairman, Edgefield County Water and Sewer
Authority

The undersigned authorized officer of The Bank of New York Mellon Trust Company, N.A., hereby accepts the appointment of The Bank of New York Mellon Trust Company, N.A. as Trustee, Registrar and Paying Agent under the above-mentioned Resolutions and agrees that The Bank of New York Mellon Trust Company, N.A. shall maintain custody and control of the above-mentioned fund in accordance therewith.

It is hereby further certified that The Bank of New York Mellon Trust Company, N.A. is empowered to perform to execute and perform the duties of Trustee, Registrar and Paying Agent for the Bonds, as well as the duties of custodian referred to above.

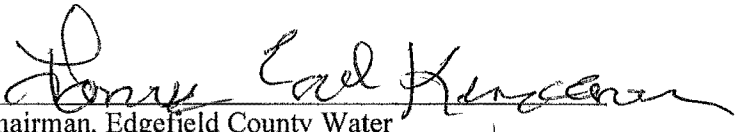
**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.**

By: 
Its: Vice President

November 3, 2016

RECEIPT FOR BOND PROCEEDS

I, the undersigned, Chairman of the governing body of Edgefield County Water and Sewer Authority, South Carolina, hereby acknowledge receipt in federal funds, as we have directed, of \$2,335,000 in payment for the \$2,340,000 Edgefield County Water and Sewer Authority, South Carolina Waterworks and Sewer System Revenue Bond, Series 2016 from Branch Banking and Trust Company, the purchaser of said Bond (the "**Purchaser**"). The Purchaser retained \$5,000 as its fee.



Chairman, Edgefield County Water
and Sewer Authority

November 3, 2016

ADDITIONAL BONDS TEST CERTIFICATE

TO: EDGEFIELD COUNTY WATER AND SEWER AUTHORITY, SOUTH CAROLINA

RE: \$2,340,000 Edgefield County Waterworks and Sewer Authority, South Carolina Water and Sewer Revenue Bond, Series 2016 (the "**Series 2016 Bond**")

Section 4.02(7) of the Bond Resolution (the "**Bond Resolution**") adopted by the governing body of the Edgefield County Water and Sewer Authority (the "**Authority**") on February 24, 1998 specifies that one of two tests must be met if additional, non-refunding, Bonds are to be issued by the Authority thereunder. For purposes of the Series 2016 Bond, the Authority intends to meet the test under Section 4.02(7)(a); namely, that:

"Net Earnings during the most recent Fiscal Year for which audited financial statements of the System are completed shall be certified by the Accountants ... on the basis of such audited financial statements to be not less than one hundred twenty percent (120%) of the maximum Annual Principal and Interest Requirement on all Bonds Outstanding and on such proposed Series of Bonds;"

With respect to the issuance of the Series 2016 Bond, the undersigned firm of Accountants hereby certifies that satisfaction of the test described in Section 4.02(7)(a) of the Bond Resolution is demonstrated on the attached **Exhibit A**. As shown on **Exhibit A**, Net Earnings for the most recent audited fiscal year (2016) are greater than 120% of the maximum Annual Principal and Interest Requirement on all of the Authority's Bonds Outstanding plus the Series 2016 Bond proposed to be issued.

All capitalized terms not defined herein shall have the meaning ascribed to them in the Bond Resolution.

DERRICK STUBBS & STITH, LLP

Date: October 31, 2016

By: Charles R. Stith
Its: Managing Partner

An independently owned member
RSM US Alliance

RSM

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND SC ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

EXHIBIT A
ADDITIONAL BONDS TEST CALCULATION

Decrease in position from audited financial statements	\$ (309,955)
Less:	
Developer contributions of systems	(209,160)
Add back:	
Loss on disposal of fixed assets	33,909
Interest paid on bonds	444,119
Depreciation expense	1,868,916
Post employment expense	24,595
South Carolina retirement system pension expense	80,499
Net earnings	<u>\$ 1,932,923</u>

Outstanding maximum annual principal and interest requirement on all outstanding bonds, Section 7(a) of Resolution adopted February 24, 1998 Year 2019	<u>\$ 1,594,879 (1)</u>
--	-------------------------

Calculation:

Net Earnings as defined in Resolution adopted February 24, 1998	\$ 1,932,923	
---	--------------	--

Outstanding maximum annual principal and interest requirement on all outstanding bonds, section 7(a) of Resolution adopted February 24, 1998 Year 2019	\$ 1,594,879 (1)	
	x 120%	<u>(1,913,855)</u>
		<u>\$ 19,068 (2)</u>

(1) Maximum Annual Principal and Interest Requirement as described in Section 4.02(7) of the Bond Resolution adopted February 24, 1998. See Additional Bond Test Certificate, attached.

(2) If positive, covenant met. If negative, covenant not met. Therefore, covenant was met.

**RECEIPT FOR BOND
AND
INVESTMENT LETTER**

Branch Banking and Trust Company (the "**Bank**") hereby certifies that it has this date received the \$2,340,000 Edgefield County Water and Sewer Authority, South Carolina Waterworks and Sewer System Revenue Bond, Series 2016 (the "**Bond**") in the form of one fully registered bond, as purchaser thereof.

In connection with the purchase of the Bond, the undersigned, on behalf of the Bank, makes the following representations and certifications:

1. The Bank has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective investment of the Bond, and the Bank is financially able to bear the economic risk of its proposed investment in the Bond.

2. The Bank has had the opportunity to ask questions of, and receive answers from, Edgefield County Water and Sewer Authority (the "**Authority**") and has had full access to all information desired by the Bank concerning the Authority's waterworks and sewer system (the "**System**") and the terms and conditions of the offering and any other information which it has deemed relevant to the Bond and its investment in the Bond.

3. The Bond is being purchased solely for the account of the Bank and for the purpose of investment, and not with a view for the resale, distribution, subdivision or fractionalization thereof, and the Bank has no present intention of reselling, distributing, subdividing or fractionalizing the Bond or any portion thereof either currently or after the passage of a fixed period of time, or upon the occurrence or nonoccurrence of any predetermined event or circumstances.

4. The Bank understands that no official statement, prospectus, offering circular or other comprehensive offering statement containing material information with respect to the Authority or the Bond is being issued, and that, in due diligence, it has made its own inquiry and analysis with respect to the Authority, the System, the Bond and the security therefor, and other material factors affecting the security for and payment of the Bond.

5. The Bank understands that the Bond (i) is not registered under the Securities Act of 1933, as amended, and has not been registered or otherwise qualified for sale by the Authority under the "Blue Sky" laws and regulations of any state; (ii) is not listed on any stock or other securities exchange; and (iii) carries no rating from any rating service.

6. The Bank understands that the scope of engagement of Haynsworth Sinkler Boyd, P.A., as Bond Counsel to the Authority, has been limited solely to matters set forth in their opinion based on their view of such legal proceedings as they deem necessary to approve the validity of the Bond and the tax-exempt status of interest thereon.

BRANCH BANKING AND TRUST COMPANY

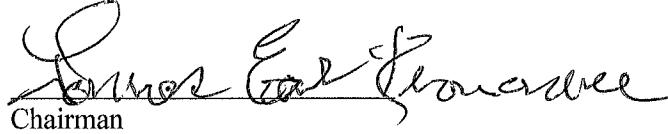
By: 
Senior Vice President

November 3, 2016

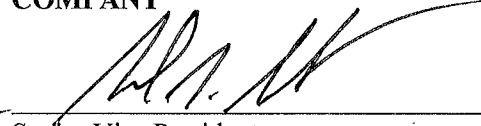
ACKNOWLEDGEMENT OF PAYMENT SCHEUDLE

Edgefield County Water and Sewer Authority, South Carolina; Branch Banking and Trust Company; and The Bank of New York Mellon Trust Company, N.A., each hereby acknowledges that the below payment schedule is the payment schedule for the \$2,340,000 Edgefield County Water and Sewer Authority, South Carolina Waterworks and Sewer System Revenue Bond, Series 2016.


EDGEFIELD COUNTY WATER AND SEWER AUTHORITY


Chairman

BRANCH BANKING AND TRUST COMPANY


Senior Vice President

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


Its: Vice President

Dated: November 3, 2016

SCHEDULE

Period Ending	Principal	Coupon	Interest	Debt Service
11/3/2016				
7/1/2017			\$25,216.10	\$25,216.10
1/1/2018	448,000	1.630%	19,071.00	467,071.00
6/30/2018				
7/1/2018			15,419.80	15,419.80
1/1/2019	462,000	1.630%	15,419.80	477,419.80
6/30/2019				
7/1/2019			11,654.50	11,654.50
1/1/2020	469,000	1.630%	11,654.50	480,654.50
6/30/2020				
7/1/2020			7,832.15	7,832.15
1/1/2021	476,500	1.630%	7,832.15	484,332.15
6/30/2021				
7/1/2021			3,948.68	3,948.68
1/1/2022	484,500	1.630%	3,948.68	488,448.68
6/30/2022				
	\$2,340,000		\$121,997.35	\$2,461,997.35

**CERTIFICATE OF ACCEPTANCE
OF APPOINTMENT OF TRUSTEE**

The undersigned officer of The Bank of New York Mellon Trust Company, N.A., a national banking association (the "**Trustee**"), **DOES HEREBY CERTIFY** as follows:

1. The Trustee acknowledges that it is has been appointed by the governing body of Edgefield County Water and Sewer Authority (the "**Authority**"), to act as Trustee of the 2016 Debt Service Fund established under a Series Resolution adopted by the Authority on October 24, 2016 (the "**Series Resolution**") and a Bond Resolution adopted by the Authority on February 24, 1998 (the "**Bond Resolution**") and together with the Series Resolution, the "**Resolutions**"), a certified copy of which has been furnished to the Trustee, which provides for the issuance of the Authority's \$2,340,000 Waterworks and Sewer System Revenue Bond, Series 2016; and

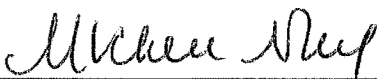
2. The Trustee is a national banking association, and has the power and authority to act and may validly and legally act as Trustee and accept the duties contemplated by the Resolutions; and

3. The Trustee has been duly authorized by resolution of its board of directors to act as Trustee and to accept the duties contemplated by the Resolutions; and

4. The Trustee has entered into and accepted the duties and obligations imposed upon the Trustee by the Resolutions.

IN WITNESS WHEREOF, the undersigned has hereunto set his/her Hand as of the 3rd day of November, 2016.

**THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.**

By: 
Its: Vice President

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

I, the undersigned, Susan K. Maroni, Assistant Secretary of The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States (the "Association") and located in the State of California, DO HEREBY CERTIFY that Michele Noel has been authorized to sign as Vice President for The Bank of New York Mellon Trust Company, N.A. and signs as follows:

A,C2,J,N,P1

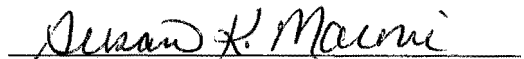
Michele Noel



I further certify that as of this date she has been authorized to sign on behalf of the Association in discharging or performing her duties in accordance with the limited signing powers provided under Article V, Section 5.3 of the By-laws of the Association and the paragraphs indicated above of the signing authority resolution of the Board of Directors of the Association.

Attached hereto are true and correct copies of excerpts of the By-laws of the Association and the signing authority resolution, which have not been amended or revised since October 15, 2009 and are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of The Bank of New York Mellon Trust Company, N.A. this 1st day of October 2015.


Susan K. Maroni, Assistant Secretary

Extracts from By-Laws
of
The Bank of New York Mellon Trust Company, National Association
As Amended through October 15, 2009

ARTICLE V
SIGNING AUTHORITIES

Section 5.1 Real Property. Real property owned by the Association in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Association in its own right with such maximum values as the Board may fix in its authorizing resolution.

Section 5.2. Senior Signing Powers. Subject to the exception provided in Section 5.1, the President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Association in all transactions arising out of, or in connection with, the normal course of the Association's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Association thereto. In such instances as in the judgment of the President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Association authorized in or pursuant to Section 5.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 5.2, is authorized to attest to the seal of the Association on any documents requiring such seal.

Section 5.3. Limited Signing Powers. Subject to the exception provided in Section 5.1, in such instances as in the judgment of the President or any Executive Vice President, may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Association to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

Section 5.4. Powers of Attorney. All powers of attorney on behalf of the Association shall be executed by any officer of the Association jointly with the President, any Executive Vice President, or any Managing Director, provided that the execution by such Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of said officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

Section 5.5. Auditor. The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Association, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

**Pursuant to Article V, Section 5.3 of the By-Laws
Adopted October 15, 2009**

RESOLVED that, pursuant to Section 5.3 of the By-Laws of the Association, authority be, and hereby is, granted to the President or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Association; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Association's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of \$500,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of \$500,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$500,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount in excess of \$100,000,000 but not to exceed \$500,000,000*.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$100,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$10,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$5,000,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$1,000,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$250,000.

(C10) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$50,000.

(C11) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$5,000.

*Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Association as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Association in trust or in connection with any transaction with respect to which the Association is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Association or to affix the seal of the Association to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Association in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Association products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

(P1) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in excess of \$10,000,000.

(P2) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$10,000,000.

(P3) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$5,000,000.

(P4) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$1,000,000.

(P5) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$250,000.

(P6) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$100,000.

(P7) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$50,000.

(P8) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$25,000.

(P9) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$10,000.

(P10) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$5,000.

(P11) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$3,000.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the President or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Association.

SUMNER LAW FIRM, LLC
ATTORNEY AT LAW



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November 3, 2016

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Facsimile (803) 637-7117

Edgefield County Water and Sewer Authority
Edgefield, South Carolina

Branch Banking and Trust Company
Columbia, South Carolina

Haynsworth Sinkler Boyd, P.A.
Greenville, South Carolina

The Bank of New York Trust Company, N.A.
Jacksonville, Florida

Re: \$2,340,000 Edgefield County Water and Sewer Authority Waterworks and Sewer System
Revenue Bond, Series 2016

Ladies and Gentlemen:

I am the attorney for the Edgefield County Water and Sewer Authority, South Carolina (the "**Authority**"), and have acted as such in connection with the issuance by the Authority of its \$2,340,000 Waterworks and Sewer System Revenue Bond, Series 2016, dated November 3, 2016 (the "**Bond**"). In such respect, I have examined such documents, records of the Authority and other instruments as I have deemed necessary to enable me to express the opinions set forth below, including copies of the following:

- (a) Title 6, Chapter 17 of the Code of Laws of South Carolina 1976, as amended, and any other applicable laws and constitutional provisions (collectively, the "**Act**");
- (b) Original counterparts or certified copies of a Bond Resolution and a Series Resolution of the Authority adopted on February 24, 1998 and October 24, 2016, respectively (collectively, the "**Resolutions**"); and
- (c) Such other records and documents as I have deemed necessary in order to render this opinion.

I have also examined such other agreements and instruments of public officials, officers of the Authority and other persons, and such other documents furnished to me by officers and employees of the Authority, and made such other investigations and examinations of applicable laws as I deemed necessary as a basis for the opinions hereinafter expressed. In rendering such opinions, I have relied, to the extent I deemed reasonable, on certificates and certain other information provided to me by officers and employees of the Authority and officials as to matters of fact of which the makers of such certificates or the person providing such other information had knowledge. I have assumed the correctness of all documents, records and instruments provided by the Authority and examined by me, the correctness of all statements of fact contained therein and the competence of all signing parties. Nothing came to my attention in the course of my examination that indicated that any such documents, records or instruments were not authentic, or correct or that any signing party was not competent.

Based upon the foregoing, I am of the opinion that:

(1) The Authority is a special purpose district of the State of South Carolina, duly created, validly existing and in good standing under the Constitution and laws of the State of South Carolina, and has all requisite power and authority (i) to adopt and implement the Resolutions and to issue, sell and deliver the Bonds and (ii) to conduct its business as currently being conducted and as proposed to be conducted.

(2) The Authority has the power to own and operate its waterworks and sewer system (the "*System*") and to fix, revise, maintain and collect rates in connection with the System.

(3) The Authority has full legal right, power and authority to (a) adopt the Resolutions, (b) authorize, issue, sell and deliver the Bond to Branch Banking and Trust Company and (c) carry out and consummate all other transactions contemplated by each of the aforesaid instruments.

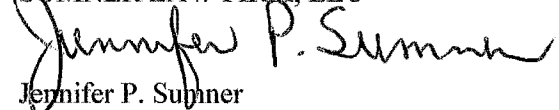
(4) The Resolutions have been duly adopted by the Authority, are in full force and effect and have not been modified, rescinded or annulled.

(5) The adoption of the Resolutions, the execution and delivery of the Bond, and compliance with the provisions thereof, did not and will not conflict with or constitute a breach of or default under any existing law, administrative regulation, court decree, resolution or agreement to which the Authority is subject.

(6) To the best of my knowledge, after due inquiry or investigation, there is no litigation or other proceedings now pending or threatened in any tribunal or competent jurisdiction, State or federal, in any way (a) restraining and enjoining the issuance, sale or delivery of the Bond, or (b) questioning or affecting the validity of the Bond, the Resolutions or the pledge of the Authority of any moneys, revenues or other security provided under the Resolutions, or (c) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution, registration, issuance or delivery of the Bond, or (d) questioning or affecting (i) the organization or existence of the Authority or the title to office of the officers thereof, or (ii) the power or authority of the Authority to own and operate the System, or (iii) the power or authority of the Authority to fix, maintain, revise and collect rates and other charges in connection with the services and use of the System.

Very truly yours,

SUMNER-LAW FIRM, LLC


Jennifer P. Sumner

November 3, 2016

Edgefield County Water and Sewer Authority
Edgefield, South Carolina

Branch Banking and Trust Company
Columbia, South Carolina

The Bank of New York Trust Company, N.A.
Jacksonville, Florida

Re: \$2,340,000 Edgefield County Water and Sewer Authority, South Carolina Waterworks and
Sewer System Revenue Bond, Series 2016

Ladies and Gentlemen:

We have acted as Bond Counsel to Edgefield County Water and Sewer Authority, South Carolina (the "**Authority**") in connection with the issuance by the Authority of its \$2,340,000 Edgefield County Water and Sewer Authority, South Carolina Waterworks and Sewer System Revenue Bond, Series 2016 (the "**Bond**"). We have examined a certified copy of the Transcript of Proceedings and other proofs submitted to us, including the Constitution and Statutes of the State of South Carolina (the "**State**"), in connection with the issuance of the Bond. The Bond is issued by the Authority pursuant to a Bond Resolution adopted by the governing body of the Authority, on February 24, 1998 (the "**Bond Resolution**") and a Series Resolution adopted by the governing body of the Authority on October 24, 2016 (the "**Series Resolution**" and together with the Bond Resolution, the "**Resolutions**"), and under and in full compliance with the Constitution and statutes of the State, including particularly Chapter 17 of Title 6, Code of Laws of South Carolina 1976, as amended, in order to obtain funds which will be issued to (i) defray the costs of the Project (as defined in the Series Resolution), and (ii) pay certain costs and expenses relating to the issuance of the Bond.

The Bond bears interest from its date of delivery. The Bond matures on January 1 of the years, in the principal amounts, and bears interest payable on January 1, 2017 and semiannually thereafter on the first days of January and July at the interest rate per annum, as set forth therein. The Bond is dated November 3, 2016, numbered R-1, and is subject to optional redemption prior to maturity in the manner and upon the terms set forth therein. The Bond is issued in fully registered form in the denomination of \$2,340,000.

Further bonds on a parity with the Bond may be issued under the conditions prescribed in the Resolutions.

Edgefield County Water and Sewer Authority
Branch Banking and Trust Company
The Bank of New York Mellon Trust Company, N.A.
November 3, 2016
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Based on the foregoing, we are of the opinion that, under existing law:

1. The Authority is a duly created and validly existing, body corporate and politic, and political subdivision of the State.

2. The Authority has the right and power to own and operate its waterworks and sewer system (the "**System**") and is duly authorized to adopt the Resolutions. The Resolutions have been duly and lawfully adopted and are in full force and effect and are valid, binding and enforceable against the Authority in accordance with their respective terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights.

3. The Bond has been duly and lawfully authorized, executed and delivered in accordance with the terms of the Resolutions, and constitutes a valid and binding special obligation of the Authority enforceable against the Authority in accordance with its terms, except to the extent that the enforceability of the Bond may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. The Bond is secured in the manner and to the extent prescribed by the Resolutions and is entitled to the equal benefit, protection and security of the provisions, covenants and agreements set forth in the Resolutions.

4. Both the principal of and interest on the Bond are payable solely from the Gross Revenues (as defined in the Bond Resolution), and are secured by a valid pledge of and lien upon the Gross Revenues, as provided in the Resolutions. The pledge of and lien upon the Gross Revenues granted under the Resolutions to secure the payment of the principal of and interest on the Bond is on a parity in all respects with (a) the pledge and lien given by the Authority to secure its obligations under the outstanding bonds of the Authority's \$4,000,000 original principal amount Waterworks and Sewer System Revenue Bond, Series 2007 and \$10,135,000 Waterworks and Sewer System Revenue Bonds, Series 2010, and (b) the pledges and liens given to secure any series of additional parity bonds, if such additional parity bonds are issued in the manner and under the conditions prescribed by the Resolutions. Neither the principal of nor interest on the Bond constitutes an indebtedness of the Authority within the meaning of any provision, limitation or restriction of the Constitution or statutes of the State (other than those provisions authorizing indebtedness payable solely from a revenue-producing project not involving revenues from any tax or license), nor a charge, lien or encumbrance, legal or equitable, upon any property of the Authority or upon any income, receipts or revenues of the Authority save and except the pledge of and lien upon the Gross Revenues of the System, and neither the credit nor the taxing power of the Authority is pledged therefor.

5. Interest on the Bond is excludable from gross income of the registered owner thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be satisfied subsequent to the issuance of the Bond in order that

Edgefield County Water and Sewer Authority
Branch Banking and Trust Company
The Bank of New York Mellon Trust Company, N.A.
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Page 3

interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Bond to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bond. The Authority has covenanted to comply with all such requirements. It should be noted, however, that for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), interest on the Bond is taken into account in determining adjusted current earnings. We express no opinion regarding other federal tax consequences arising with respect to the Bond except as set forth below.

6. In the Series Resolution, the Authority designated the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code and represents that neither it nor any entity subordinate to it, intends to issue, in the aggregate, more than \$10,000,000 in tax-exempt obligations (other than private activity bonds which are not qualified 501(c)(3) bonds as defined under Section 145 of the Code) in calendar year 2016.

7. The Bond and the interest thereon are exempt from all State, county, school district, municipal and other taxes or assessments of the State, except inheritance, estate, transfer or certain franchise taxes. It should be noted, however, that Section 12-11-20, Code of Laws of South Carolina 1976, as amended, imposes upon every bank engaged in business in the State a fee or franchise tax computed on the entire net income of such bank which includes interest paid on the Bond.

As Bond Counsel to the Authority, we have been retained solely for the purpose of examining the validity and legality of the Bond and of rendering certain specific opinions herein stated and for no other purpose. We have not verified the accuracy, completeness or fairness of any representations or information concerning the business or financial condition of the Authority in connection with the sale of the Bond. Accordingly, we express no opinion on the completeness, fairness or adequacy of any such representation or information.

We express no opinion herein regarding the perfection of the pledge of or lien upon the Gross Revenues or other funds created under the Bond Ordinance (or any other document or instrument mentioned herein). This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. Our advice did not include financial or non-legal advice.

Very truly yours,

HAYNSWORTH SINKLER BOYD, P.A.

Haynsworth Sinkler Boyd, P.A.