

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 19, 2021

NEW ISSUE - BOOK-ENTRY-ONLY

RATINGS:

Standard & Poor's: "A+" (Stable Outlook)

Moody's: "A3" (Positive Outlook)

See "RATINGS" herein.



In the opinion of Pope Flynn, LLC, Bond Counsel to the Authority, under existing law, assuming continuing compliance by the Authority with certain covenants and the accuracy of certain representations, interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2021B and the Series 2021C Bonds is not excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, the Series 2021 Bonds and the interest thereon are exempt from all State, county, municipal, school district, and other taxes and assessments imposed within the State of South Carolina, except estate, transfer, and certain franchise taxes. See "TAX MATTERS" herein for a description of these and other tax considerations.

**KERSHAW COUNTY AND LEE COUNTY
REGIONAL WATER AUTHORITY, SOUTH CAROLINA
WATER SYSTEM IMPROVEMENT REVENUE BONDS**

\$14,860,000* SERIES 2021A

\$7,530,000* SERIES 2021B (TAXABLE)

\$2,665,000* SERIES 2021C (TAXABLE)

Dated: Date of Issuance

Due: June 1, as shown on inside front cover

The Kershaw County and Lee County Regional Water Authority, South Carolina (the "Authority") is issuing its \$14,860,000* Water System Improvement Revenue Bonds, Series 2021A (the "Series 2021A Bonds"), its \$7,530,000* Water System Improvement Revenue Bonds, Series 2021B (Taxable) (the "Series 2021B Bonds"), and \$2,665,000* Water System Improvement Revenue Bonds, Series 2021C (Taxable) (the "Series 2021C Bonds," and together with the Series 2021A Bonds and the Series 2021B Bonds, the "Series 2021 Bonds"), initially as registered bonds in denominations of \$5,000 and integral multiples thereof in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2021 Bonds under a book-entry only system, as described herein. So long as the Series 2021 Bonds are held in book-entry form, beneficial owners of Series 2021 Bonds will not receive physical delivery of bond certificates. Interest on the Series 2021 Bonds is payable at the rates stated on the inside front cover page hereof on each June 1 and December 1, commencing June 1, 2022, through maturity. Regions Bank is serving as Trustee, Paying Agent and Registrar (as such terms are defined herein) with respect to the Series 2021 Bonds.

The Series 2021 Bonds are being issued to (i) defray the costs of the Project (as defined herein), and (ii) pay the costs and expenses of issuance of the Series 2021 Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.

See "CONSIDERATION OF PURCHASE OF BOND INSURANCE" herein.

The Series 2021 Bonds [are subject to optional and mandatory sinking fund redemption] prior to maturity as further described herein.

THE SERIES 2021 BONDS ARE PAYABLE FROM AND SECURED BY A PLEDGE OF AND LIEN ON THE NET REVENUES (AS SUCH TERM IS DEFINED HEREIN). ADDITIONALLY, THE SERIES 2021 BONDS ARE FURTHER SECURED BY A STATUTORY LIEN ON THE SYSTEM (AS SUCH TERM IS DEFINED HEREIN). THE SERIES 2021 BONDS ARE PAYABLE SOLELY FROM SUCH NET REVENUES AND THE AUTHORITY IS NOT OBLIGATED TO PAY EITHER THE PRINCIPAL OR THE INTEREST ON THE SERIES 2021 BONDS EXCEPT FROM SUCH NET REVENUES. NEITHER THE FULL FAITH, CREDIT OR TAXING POWER OF THE AUTHORITY OR THE STATE OF SOUTH CAROLINA NOR ANY POLITICAL SUBDIVISION THEREOF ARE PLEDGED TO THE PAYMENT OF THE SERIES 2021 BONDS.

The Series 2021 Bonds are offered when, as and if issued and accepted by Stephens Inc. as underwriter (the "Underwriter"), subject to the approval of legality by Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel to the Authority. Pope Flynn, LLC is also acting as Disclosure Counsel and Local Counsel to the Authority in connection with the offer and sale of the Series 2021 Bonds. Certain legal matters will be passed on for the Underwriter by its counsel, Parker Poe Adams & Bernstein LLP, Columbia, South Carolina. First Tryon Advisors, Charlotte, North Carolina serves as Financial Advisor to the Authority. It is expected that the Series 2021 Bonds will be delivered through the facilities of DTC in New York, New York, on or about November 18, 2021.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Stephens Inc.

This Official Statement is dated: October __, 2021

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Series 2021 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

MATURITY SCHEDULES

SERIES 2021A BONDS (TAX-EXEMPT)

Due June 1	Principal Amount*	Interest Rate	Yield	Price	CUSIP†
2038	\$ 735,000				
2039	910,000				
2040	940,000				
2041	965,000				
2042	995,000				
2043	1,025,000				
2044	1,055,000				
2045	1,085,000				
2046	1,115,000				
2047	1,145,000				
2048	1,175,000				
2049	1,205,000				
2050	1,240,000				
2051	1,270,000				

SERIES 2021B BONDS (TAXABLE)

Due June 1	Principal Amount*	Interest Rate	Yield	Price	CUSIP†
2023	\$ 410,000				
2024	415,000				
2025	470,000				
2026	525,000				
2027	595,000				
2028	660,000				
2029	670,000				
2030	720,000				
2031	740,000				
2032	755,000				
2033	775,000				
2034	795,000				

SERIES 2021C BONDS (TAXABLE)

Due June 1	Principal Amount*	Interest Rate	Yield	Price	CUSIP†
2035	\$ 815,000				
2036	840,000				
2037	860,000				
2038	150,000				

* Preliminary, subject to change.

† Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, operated on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of bondholders only at the time of issuance of the Series 2021 Bonds and the Authority makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2021 Bonds.

For purposes of compliance with Rule 15c2-12 (“*Rule 15c2-12*”) of the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, this document, as the same may be supplemented or corrected by Kershaw County and Lee County Regional Water Authority, South Carolina (the “*Authority*”) from time to time (collectively, the “*Official Statement*”), may be treated as an “Official Statement” with respect to the Series 2021 Bonds described herein that is deemed final as of the date hereof (or as of the date of any such supplement or correction) by the Authority. The preliminary Official Statement, when further supplemented by a final Official Statement specifying the interest rates, principal amounts, in the aggregate and per maturity, and delivery dates of the Series 2021 Bonds, together with any other information required by law, shall constitute a “final Official Statement” of the Authority with respect to the Series 2021 Bonds, as that term is defined in Rule 15c2-12. Any addendum or amendment shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2021 Bonds identified on the cover. No dealer, broker, salesman or other person has been authorized by the Authority to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2021 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Except where otherwise indicated, all information contained in this Official Statement has been provided by the Authority. Information in this Official Statement has been obtained by the Authority from sources believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

Upon execution and delivery, the Series 2021 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law and will not be listed on any stock or other securities exchange, and no indenture will be qualified with respect to the Series 2021 Bonds under the Trust Indenture Act of 1939, as amended. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2021 Bonds for sale. Any representation to the contrary is a criminal offense.

First Tryon Advisors (the “*Financial Advisor*”) is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

Regions Bank, as Trustee, Registrar and Paying Agent (as such terms are defined herein), has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information, (ii) the validity of the Series 2021 Bonds, or (iii) the tax-exempt status of the interest on the Series 2021A Bonds.

No quotations or summaries or explanation of provisions of law and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of the Series 2021 Bonds. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover pages hereof and the Appendices attached hereto are part of this Official Statement.

The information contained in Appendix G under the heading “DTC AND BOOK-ENTRY ONLY SYSTEM” has been obtained from The Depository Trust Company, and no representation is made by the Authority as to the completeness or accuracy of such information.

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to

the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement, they will be furnished on request.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

Cautionary Statement Regarding Forward-Looking Information

This Official Statement contains forecasts, projections and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "budgets" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY

2638 Old Stagecoach Road
Cassatt, South Carolina 29032

BOARD MEMBERS

Roosevelt (Ted) Halley, Chairman
Furman Fountain, Vice Chairman
Kenneth Carter
Tony Mike Davis
Julius Gause
Ollie Thompson
Derrick Brown
Eddie Thomas

CHIEF EXECUTIVE OFFICER

Donna M. Tuttle

BOND COUNSEL, DISCLOSURE COUNSEL AND LOCAL COUNSEL

Pope Flynn, LLC
Columbia, South Carolina

FINANCIAL ADVISOR

First Tryon Advisors
Charlotte, North Carolina

TRUSTEE, PAYING AGENT, AND REGISTRAR

Regions Bank
Atlanta, Georgia

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SUMMARY STATEMENT

The following Summary Statement is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Official Statement and the Appendices hereto (collectively, the “Official Statement”). Unless otherwise defined in this Summary Statement, all capitalized terms used in this Summary Statement shall have the meanings ascribed to them elsewhere in the Official Statement and in “Appendix B –Bond Resolution and 2021 Series Resolution.” The offering of the Series 2021 Bonds to potential investors is made only by means of this entire Official Statement, and no person is authorized to detach this Summary Statement from the Official Statement or to otherwise use it without the entire Official Statement.

The Authority	Kershaw County and Lee County Regional Water Authority, South Carolina (the “Authority”) was created and established as a public service district of the State of South Carolina (the “State”), pursuant to Act No. 168 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the Year 2012, now codified as Title 33, Chapter 36, Article 8 of the Code of Laws of South Carolina 1976, as amended (the “South Carolina Code”). The Authority is located within Kershaw, Lee, Sumter, and Lancaster Counties, South Carolina, and is authorized to provide waterworks services within the boundaries of the Authority. The Authority is operated and managed by its Board of Directors. See “THE AUTHORITY AND THE SYSTEM” herein.
The Series 2021 Bonds	The \$14,860,000* Kershaw County and Lee County Regional Water Authority, South Carolina Water System Improvement Revenue Bonds, Series 2021A (the “Series 2021A Bonds”), the \$7,530,000* Kershaw County and Lee County Regional Water Authority, South Carolina Water System Improvement Revenue Bonds, Series 2021B (Taxable) (the “Series 2021B Bonds”) and the \$2,665,000* Kershaw County and Lee County Regional Water Authority, South Carolina Water System Improvement Revenue Bonds, Series 2021C (Taxable) (the “Series 2021C Bonds,” and together with the Series 2021A Bonds and the Series 2021B Bonds, the “Series 2021 Bonds”) are being issued by the Authority, initially in book-entry only form, in principal amounts of \$5,000 or any integral multiple thereof. See “THE SERIES 2021 BONDS” herein.
Authorization	The Series 2021 Bonds are being issued pursuant to the provisions of Article X, Section 14(10) of the South Carolina Constitution, Title 6, Chapters 17 and 21 of the South Carolina Code, and other applicable law, and the Resolutions (as defined herein). See “THE SERIES 2021 BONDS–Authorization” herein.
Dated Date and Date of Delivery of Series 2021 Bonds	The Series 2021 Bonds will be initially dated their date of delivery and will bear interest from such date. It is expected that the Series 2021 Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about November 18, 2021.
Interest Payments	Interest on the Series 2021 Bonds (calculated on the basis of a 360-day year of twelve 30-day months) will be payable at the rates set forth on the inside front cover page hereof on each June 1 and December 1, commencing June 1, 2022, through maturity.
Maturities	The Series 2021A Bonds mature serially on June 1, 20__ through 20__, as indicated on the inside front cover page hereof. The Series 2021B Bonds mature serially on June 1, 20__ through 20__, as indicated on the inside front cover page hereof. The Series 2021C Bonds mature serially on June 1, 20__ through 20__, as indicated on the inside front cover page hereof.
Redemption	The Series 2021A Bonds are subject to redemption prior to maturity, at the option of the Authority on and after June 1, 2031, in whole or in part (and if in part, by order of maturity as selected by the Authority and by lot within a maturity) at any time upon at least 30-days’ notice, at par, as further set forth in “THE SERIES 2021 BONDS–Redemption – <i>Optional Redemption</i> ” herein. [The Series 2021A Bonds maturing [June 1, 20__ and June 1, 20__] are subject to mandatory sinking fund redemption as set forth in “THE SERIES 2021 BONDS–Redemption – <i>Mandatory Sinking Fund Redemption</i> ” herein.]

The Series 2021B Bonds are subject to redemption prior to maturity, at the option of the Authority on and after June 1, 2031, in whole or in part (and if in part, by order of maturity as selected by the Authority and by lot within a maturity) at any time upon at least 30-days' notice, at par, as further set forth in "THE SERIES 2021 BONDS–Redemption – *Optional Redemption*" herein. [The Series 2021B Bonds maturing [June 1, 20__ and June 1, 20__] are subject to mandatory sinking fund redemption as set forth in "THE SERIES 2021 BONDS – Redemption – *Mandatory Sinking Fund Redemption*" herein.]

The Series 2021C Bonds are subject to redemption prior to maturity, at the option of the Authority on and after June 1, 2031, in whole or in part (and if in part, by order of maturity as selected by the Authority and by lot within a maturity) at any time upon at least 30-days' notice, at par, as further set forth in "THE SERIES 2021 BONDS–Redemption – *Optional Redemption*" herein. [The Series 2021C Bonds maturing [June 1, 20__ and June 1, 20__] are subject to mandatory sinking fund redemption as set forth in "THE SERIES 2021 BONDS – Redemption – *Mandatory Sinking Fund Redemption*" herein.]

Purpose of the Issues The Series 2021 Bonds are being issued to (i) defray the costs of the Project (as such term is defined herein), and (ii) pay the costs and expenses of issuance of the Series 2021 Bonds. See "PLAN OF FINANCE" and "SOURCES AND USES OF FUNDS" herein.

Security The Series 2021 Bonds are secured by a pledge of and a lien upon the Net Revenues of, and a statutory lien upon, the System on a parity in all respects with the pledge and lien securing any Additional Bonds. See "SECURITY FOR THE BONDS" and "FINANCIAL FACTORS" herein.

Tax Status of Interest on the Series 2021 Bonds In the opinion of Pope Flynn, LLC, Bond Counsel to the Authority, under existing law, assuming continuing compliance by the Authority with certain covenants and the accuracy of certain representations, interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.

Interest on the Series 2021B Bonds and the Series 2021C Bonds is not excluded from gross income for federal income tax purposes.

In the opinion of Bond Counsel, the Series 2021 Bonds and the interest thereon are exempt from all State, county, municipal, school district, and other taxes and assessments imposed within the State of South Carolina, except estate, transfer, and certain franchise taxes. See "TAX MATTERS" herein for a description of these and other tax considerations.

Professionals Involved in the Offering Pope Flynn, LLC, Columbia, South Carolina, is serving as Bond Counsel to the Authority. Pope Flynn, LLC is also serving as Disclosure Counsel and Local Counsel to the Authority in connection with the offer and sale of the Series 2021 Bonds. Parker Poe Adams & Bernstein LLP, Columbia, South Carolina, is serving as counsel to Stephens Inc., as underwriter of the Series 2021 Bonds. First Tryon Advisors serves as Financial Advisor to the Authority. Regions Bank is serving as Trustee, Paying Agent and Registrar (as such terms are defined herein). Raftelis Financial Consultants, Inc., Orlando, Florida (defined herein as the Financial Consultant) provides rate and financial feasibility services to the Authority.

Continuing Disclosure The Authority has undertaken, pursuant to a covenant to comply with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("*Rule 15c2-12*"), for the benefit of holders of the Series 2021 Bonds, to provide certain financial information and operating data relating to the Authority by not later than February 1 of each year, commencing with the report for the fiscal year ended June 30, 2021 (the "*Annual Information*"), and to provide notices of the occurrence of certain enumerated events, if deemed by the Authority to be significant. The Annual Information will be filed by or on behalf of the Authority with the Municipal Securities Rulemaking Board ("*MSRB*") through its Electronic Municipal Market Access ("*EMMA*") system (and with the State Information Depository, if any, established by the State). The notices of such material events will be filed by or on behalf of the Authority with the MSRB (and with such State Information Depository, if any). These covenants have been made in order

to assist the original purchaser of the Series 2021 Bonds in complying with 15c2-12(b)(5). The nature of the information to be provided in the Annual Information and the notices of certain significant events is set forth under the caption “CONTINUING DISCLOSURE” herein.

General

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Preliminary Official Statement and the Official Statement will be deposited with the MSRB and will be available through the EMMA system at www.emma.msrb.org (not intended as an active hyperlink).

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KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY, SOUTH CAROLINA
WATER SYSTEM IMPROVEMENT REVENUE BONDS
\$14,860,000* SERIES 2021A
\$7,530,000* SERIES 2021B (TAXABLE)
\$2,665,000* SERIES 2021C (TAXABLE)

INTRODUCTION

This Official Statement of the Kershaw County and Lee County Regional Water Authority, a public service district and political subdivision of the State of South Carolina (the “*Authority*”), which includes the cover pages hereof and the Appendices hereto, provides information relating to the Authority and its \$14,860,000* Water System Improvement Revenue Bonds, Series 2021A (the “*Series 2021A Bonds*”), its \$7,530,000* Water System Improvement Revenue Bonds, Series 2021B (Taxable) (the “*Series 2021B Bonds*”), and its \$2,665,000* Water System Improvement Revenue Bonds, Series 2021C (Taxable) (the “*Series 2021C Bonds*,” and together with the Series 2021A Bonds and the Series 2021B Bonds, the “*Series 2021 Bonds*”). The Series 2021 Bonds, the Parity Bonds and any Additional Bonds (as such terms are hereinafter defined) are referred to herein collectively as the “*Bonds*.”

The Authority is a public service district of the State of South Carolina (the “*State*”), created and established as a body politic and corporate pursuant to Act No. 168 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina for the Year 2012, now codified as Title 33, Chapter 36, Article 8 (the “*Act*”) of the Code of Laws of South Carolina 1976, as amended (the “*South Carolina Code*”). See “THE AUTHORITY AND THE SYSTEM – Creation of the Authority” herein. By the terms of the Act, the Authority is authorized to own, operate and maintain its water system (the “*System*”) and borrow money in its own name. The Authority currently provides water service to portions of Kershaw County, Lee County, Sumter County and Lancaster County.

Included in this Official Statement are brief descriptions of the Series 2021 Bonds and the security therefor, the Authority, the System, and the Resolutions (as defined herein) pursuant to which the issuance of the Series 2021 Bonds has been authorized by the Authority. Also included is certain financial information relating to the Authority. All summaries of documents herein are qualified by reference to such documents in their entirety.

THE SERIES 2021 BONDS

Authorization

The Series 2021 Bonds are issued pursuant to (i) Article X, Section 14(10) of the South Carolina Constitution, (ii) Title 6, Chapters 17 and 21 of the South Carolina Code (the “*Enabling Act*”), and other applicable law, (iii) a bond resolution adopted by the Board (as defined herein) on March 6, 2014 (the “*Bond Resolution*”) and (iv) a series resolution adopted by the Board on October 18, 2021 (the “*Series Resolution*,” which together with the Bond Resolution, will be referred to herein as the “*Resolutions*”).

Purpose

The Series 2021A Bonds are being issued by the Authority to (i) expand, add to, and improve the System, including the recoupment of funds already so expended, through the implementation of the 2021A Project (as defined herein), and (ii) pay the costs of issuance of the Series 2021A Bonds. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

The Series 2021B Bonds and the Series 2021C Bonds are being issued to provide funds to be applied, together with other moneys of the Authority, to (i) expand, add to, and improve the System, including the recoupment of funds already so expended, through the implementation of the 2021B/C Project (as defined herein), and (ii) pay the

* Preliminary, subject to change.

costs of issuance of the Series 2021B Bonds and the Series 2021C Bonds. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

Form and Denomination

The Series 2021 Bonds will be dated their date of delivery and will mature and bear interest in the amounts and at the rates (calculated on the basis of a 360-day year of twelve 30-day months) set forth on the inside front cover page of this Official Statement. Interest on the Series 2021 Bonds will be payable at the rates set forth on the inside front cover page of this Official Statement on each June 1 and December 1, commencing June 1, 2022, until maturity. The Series 2021 Bonds will be issued as fully registered bonds in the denomination of \$5,000 or integral multiples thereof, not exceeding the principal amount of the Series 2021 Bonds maturing in each year and each will be registered in the name of the holder (the “*Holder*”) as set forth on the registry book maintained at the designated corporate trust office of Regions Bank, as registrar (in such capacity, the “*Registrar*”). The Series 2021 Bonds initially will be held in a book-entry only system administered by The Depository Trust Company, New York, New York (“*DTC*”), whose nominee, Cede & Co., will be the initial Holder of the Series 2021 Bonds. Principal of and redemption premium, if any, and interest on, the Series 2021 Bonds held in book-entry form shall be payable as described in Appendix G hereto. Regions Bank is also acting as trustee (in such capacity, the “*Trustee*”) for the Series 2021 Bonds.

Should the Series 2021 Bonds no longer be held in book-entry only form, interest will be paid by check of Regions Bank, as paying agent (in such capacity, the “*Paying Agent*”), mailed to each owner of the Series 2021 Bonds at the address shown on the registry book maintained by the Registrar on the fifteenth day of the calendar month next preceding each interest payment date (each a “*Record Date*”) or, upon request of any Holder of \$1,000,000 or more in aggregate principal amount of Series 2021 Bonds, by wire transfer to an account specified in such request. Principal on Series 2021 Bonds not held in book-entry only form will be payable at the corporate office of the Registrar.

Redemption

Optional Redemption. The Series 2021A Bonds are subject to redemption prior to maturity, at the option of the Authority on and after June 1, 2031, in whole or in part at any time, upon at least 30-days’ notice, if in part then by order of maturity as determined by the Authority and by lot (or by such DTC procedure as is customary if the book-entry-only system is still in effect) within a maturity at par, plus accrued interest to the redemption date.

The Series 2021B Bonds are subject to redemption prior to maturity, at the option of the Authority on and after June 1, 2031, in whole or in part at any time, upon at least 30-days’ notice, if in part then by order of maturity as determined by the Authority and by lot (or by such DTC procedure as is customary if the book-entry-only system is still in effect) within a maturity at par, plus accrued interest to the redemption date.

The Series 2021C Bonds are subject to redemption prior to maturity, at the option of the Authority on and after June 1, 2031, in whole or in part at any time, upon at least 30-days’ notice, if in part then by order of maturity as determined by the Authority and by lot (or by such DTC procedure as is customary if the book-entry-only system is still in effect) within a maturity at par, plus accrued interest to the redemption date.

[Mandatory Sinking Fund Redemption.

The Series 2021A Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to their maturity at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest, on June 1 of the following years and in the following amounts (the June 1, 20__ amount to be paid rather than redeemed):

<u>Year</u>	<u>Amount</u>
-------------	---------------

*

* Final Maturity.

The Series 2021B Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to their maturity at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest, on June 1 of the following years and in the following amounts (the June 1, 20__ amount to be paid rather than redeemed):

<u>Year</u>	<u>Amount</u>
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*

* Final Maturity.

The Series 2021C Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to their maturity at a redemption price equal to 100% of the principal amount thereof being redeemed, plus accrued interest, on June 1 of the following years and in the following amounts (the June 1, 20__ amount to be paid rather than redeemed):

<u>Year</u>	<u>Amount</u>
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*

* Final Maturity.

At its option, to be exercised on or before the 45th day next preceding such scheduled maturity redemption date, the Authority, may (a) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2021 Bonds subject to scheduled mandatory redemption which are delivered to the Trustee for cancellation and not theretofore applied as a credit against a scheduled mandatory redemption obligation or (b) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2021 Bonds which prior to said date have been redeemed (otherwise than through scheduled mandatory redemption) and canceled by the Trustee and not theretofore applied as a credit against said scheduled mandatory redemption obligation. Each Series 2021 Bond so delivered or previously redeemed shall be credited by the Trustee, at the principal amount thereof to the obligation of the Authority on such scheduled mandatory redemption date and the principal amount of the Series 2021 Bonds to be redeemed by operation of such scheduled mandatory redemption on such date shall be accordingly reduced.]

Notice of Redemption. For so long as a book-entry only system for the Series 2021 Bonds is in place, the redemption and the notice of redemption of the Series 2021 Bonds shall be accomplished as described in “APPENDIX G—DTC and Book-Entry Only System” hereto.

If the book-entry-only system is discontinued and if any of the Series 2021 Bonds, or portions thereof, are called for redemption, the Trustee or the Registrar shall give notice to the holders of the Series 2021 Bonds to be redeemed, in the name of the Authority. If less than all of the Series 2021 Bonds are to be redeemed, such notice shall specify the respective portions of the principal amount to be redeemed. Such notice shall be given by mailing a copy by first class mail, postage prepaid, between 30 and 60 days prior to the date fixed for redemption to the registered owner of each Series 2021 Bond or portion thereof to be redeemed, at the address shown on the Register

(hereinafter defined) maintained by the Trustee; provided, however, the failure to give any such notice by mail, or any defect in the notice mailed to the registered owner of any Series 2021 Bond, shall not affect the proceedings for the redemption of any other Series 2021 Bond. If less than all the Series 2021 Bonds of any maturity are called for redemption, the Series 2021 Bonds, or portions thereof, to be redeemed shall be selected by lot by the Trustee.

The obligation of the Trustee to give the notice of redemption shall not be conditioned upon the prior payment to the Trustee or the Paying Agent of money or the delivery to the Trustee or Paying Agent of Authorized Investments or Government Obligations (as each such term is defined in the Bond Resolution) sufficient to pay the redemption price of the Series 2021 Bonds to which such notice relates or the interest thereon to the redemption date.

If at the time of mailing of notice of redemption, there shall not have been deposited with the Trustee or Paying Agent moneys sufficient to redeem all the Series 2021 Bonds or portions thereof called for redemption, which moneys are or will be available for redemption of such Series 2021 Bonds, such notice is required to state that it is conditional on the deposit of the redemption moneys with the Trustee or Paying Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Registration and Transfer Provisions

The Series 2021 Bonds will be available to purchasers under a book-entry-only system maintained by DTC, which will act as securities depository for the Series 2021 Bonds. Purchasers will not be entitled to receive physical delivery of the Series 2021 Bonds. For so long as any purchaser is a beneficial owner of a Series 2021 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC participant in order to receive payment of principal of and interest on such Series 2021 Bonds. For as long as DTC acts as securities depository for the Series 2021 Bonds, the registration and transfer of ownership interests in the Series 2021 Bonds will be effected pursuant to the rules and procedures established by DTC, as further described in Appendix G hereto.

In the event the Series 2021 Bonds are no longer held under the book-entry system, bond certificates registered in the name of DTC or its nominee will be canceled and the Authority will execute and deliver Series 2021 Bonds to the beneficial owners as shown on the records of the DTC Participants. See Appendix G hereto for a description of the payment, registration, transfer, and exchange provisions for the Series 2021 Bonds if the book-entry system is discontinued.

CONSIDERATION OF PURCHASE OF BOND INSURANCE

The Authority is considering the purchase of a municipal bond insurance policy (the “*Policy*”) from a financial guaranty insurance company to insure the timely payment of the principal of and interest on all or certain maturities of the Series 2021 Bonds. The Authority will make its determination concerning the purchase of the Policy based on market conditions at the time the Series 2021 Bonds are sold.

If the Authority decides to purchase the Policy, reference should be made to the final Official Statement with regard to (a) identification of the maturities of the Series 2021 Bonds to be insured, (b) information regarding the Policy and (c) information regarding the issuer of the Policy. Furthermore, if the Authority decides to purchase the Policy, reference should be made to the final Official Statement with regard to any covenants made by the Authority that may be material to the purchasers of the Series 2021 Bonds.

Any Series 2021 Bonds insured by a Policy will be rated on the basis of the issuance of such Policy (with underlying ratings as described in “RATINGS” herein). Any Series 2021 Bonds not so insured by the Policy will be rated as described in “RATINGS” herein.

SECURITY FOR THE BONDS

Pledge of Revenues

The Series 2021 Bonds, together with the interest thereon, are payable solely from and shall be secured by a pledge of and lien upon the Net Revenues of the System, as well as a statutory lien upon the System. See “–Statutory Lien” herein. As defined in the Bond Resolution, “*Net Revenues*” means, for the period in question, “the Gross Revenues of the System, less Operation and Maintenance Expenses.”

As defined in the Bond Resolution, “*Gross Revenues of the System*” means, for the period in question:

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 may include, but are not limited to tap-in fees, connection fees, and availability fees); 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; 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; 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 and aids-to-construction; and all Interest Payment Subsidies to the extent such monies are not otherwise used to pay debt service on a Series of Bonds. All amounts received as *ad valorem* taxes shall not be included in Gross Revenues.

As defined in the Bond Resolution, “*Operation and Maintenance Expenses*” means, 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 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 Master Bond Resolution. Operation and Maintenance Expenses shall not include: depreciation allowances; amounts paid as interest on Bonds; amounts expended for extraordinary repairs to the System; amounts paid from government grants or aids-to-construction; 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 amounts paid as capital costs pursuant to the provisions of long-term contracts which the Authority has entered into in order to provide water 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 pledge given to secure the same.

The pledges and liens so created are superior to all other pledges and liens made to secure other bonds or obligations payable from the Net Revenues except for the pledge securing payment on the Parity Bonds and any Additional Bonds (as defined below), which pledges and liens are on a parity with the pledge and lien securing the Series 2021 Bonds.

Pursuant to the Bond Resolution, the Authority may issue additional bonds (the “*Additional Bonds*”) secured by a pledge of Net Revenues (as further described herein under the heading “–Additional Bonds”) on a

parity with the pledge and lien securing the Parity Bonds (as defined herein) and the Series 2021 Bonds. In addition, the Authority may incur other indebtedness, the payment of which is either secured by a pledge of the Net Revenues which pledge is junior and subordinate to the pledge securing the Series 2021 Bonds or is secured by revenues derived from certain facilities. See “-Junior Lien Bonds and Special Facilities Bonds” under this heading.

THE SERIES 2021 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (OTHER THAN ARTICLE X, SECTION 14, PARAGRAPH 10 OF THE STATE CONSTITUTION AUTHORIZING OBLIGATIONS PAYABLE SOLELY FROM SPECIAL SOURCES NOT INVOLVING REVENUES FROM ANY TAX OR LICENSE) OR STATUTORY LIMITATIONS AND SHALL NOT CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE AUTHORITY OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWER. THE AUTHORITY IS NOT OBLIGATED TO PAY ANY OF THE SERIES 2021 BONDS OR THE INTEREST THEREON EXCEPT FROM NET REVENUES OF THE SYSTEM. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY SHALL BE PLEDGED TO THE PAYMENT OF THE SERIES 2021 BONDS.

Statutory Lien

For the further protection of the Bondholders of the Series 2021 Bonds, Section 6-21-330 of the Enabling Act provides for a statutory lien upon the System. Such lien shall extend to the entirety of the System as currently constituted and as expanded from time to time unless otherwise provided in the Series Resolution authorizing a Series of Bonds for a specific improvement to or expansion of the System. Any holder of any of such Bonds may, either at law or in equity, by suit, action, mandamus or other proceedings, protect and enforce such statutory lien and may, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties of the officials of the Authority, including the fixing of sufficient rates, the collection of Gross Revenues, the proper segregation of the Gross Revenues of the System and the proper application thereof. But such statutory lien shall not be construed to give any such Bondholder authority to compel the sale of the System or any part thereof.

Rate Covenant

Pursuant to the Bond Resolution, rates and charges shall be established and revised from time to time, and in amounts sufficient to meet the requirements of the Bond Resolution. The Authority specifically covenants and agrees in the Bond Resolution to maintain rates and charges for all services furnished by the System which shall at all times be sufficient:

- (1) to provide for the payment of Operation and Maintenance Expenses;
- (2) to provide for the punctual payment of the principal of and interest on all Bonds that may from time to time be Outstanding (within the meaning of the Bond Resolution);
- (3) to maintain the Debt Service Funds (as defined herein) and provide for the punctual payment of the principal of and interest on the Bonds;
- (4) to maintain the Debt Service Reserve Funds (as defined herein), if any, in the manner prescribed in the Bond Resolution;
- (5) 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 in the Bond Resolution;
- (6) 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;

(7) to provide for the punctual payment of the principal of and interest on all Junior Lien Bonds (as such term is defined in the Bond Resolution) outstanding; and

(8) to discharge all obligations imposed by the Enabling Legislation (as defined herein), the Enabling Act, and by the Bond Resolution.

The Authority also covenants and agrees in the Bond Resolution 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 will yield annual Net Earnings (as defined in the Bond Resolution and as otherwise described hereinbelow) in the current Fiscal Year (as defined herein), equal to at least the sum of (i) 120% of the Annual Principal and Interest Requirement (as defined in Appendix B) for all Series of Bonds Outstanding in such Fiscal Year, plus (ii) 100% of any required payment into a Debt Service Reserve Fund due in such Fiscal Year, plus (iii) 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 provided in satisfaction of the Reserve Requirement for a particular Series of Bonds, plus (iv) 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 services to the areas included within its service area, due in such Fiscal Year.

For purposes of the above-mentioned rate covenant and the additional bonds test (as described in “– Additional Bonds” below), the term “*Net Earnings*” is defined as, for the period in question, the Gross Revenues of the System, less Operation and Maintenance Expenses. Net Earnings is further subject to the following adjustments: (i) Net Earnings shall include amounts transferred into the Operation and Maintenance Fund (as described in “– Establishment and Flow of Funds” herein) from the Rate Stabilization Fund (as described in “– Establishment and Flow of Funds” herein); but (ii) Net Earnings shall not include: (1) Connection Fees (within the meaning of the Bond Resolution); (2) any gains from the sale or disposition of investments or fixed or capital assets not resulting from the ordinary course of the Authority’s business; (3) amounts transferred from Rate Stabilization Fund into any other fund, excluding the Operation and Maintenance Fund (as described in “– Establishment and Flow of Funds” herein); and (4) amounts transferred into the Rate Stabilization Fund.

Prior to the beginning of each Fiscal Year, the Authority is required to adopt an Annual Budget (within the meaning of the Bond Resolution) 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 and which shall include appropriations for the estimated operating expenses and the amount to be deposited during such Fiscal Year in the Renewal and Replacement Fund (as described in “– Establishment and Flow of Funds” herein). The Authority may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

Review of Rates

Promptly upon any material change in the circumstances affecting the System, but not less frequently than once in each Fiscal Year, the Authority shall review the rates and charges as necessary to comply with the rate covenants described in “– Rate Covenant” above. Prior to the beginning of each Fiscal Year, the Authority shall adopt an Annual Budget (as defined in the Bond Resolution) 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 and which shall include the amount of the estimated operating expenses and the amount to be deposited during such Fiscal Year in the Renewal and Replacement Fund (as defined below). The Authority may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

If the Authority, in adopting its Annual Budget, determines that Gross Revenues may not be sufficient to meet the rate covenant described in “– Rate Covenant” above or if the audited financial statements of the Authority indicate that the Authority did not satisfy the rate covenant for the prior year, the Authority shall, within fifteen (15) days, engage an Independent Consultant to prepare a report recommending such actions which will provide sufficient Gross Revenues in the following Fiscal Year to permit the Authority to meet the rate covenant. Copies of such report shall be made available to the Authority and the Trustee no later than sixty days after the engagement of the Independent Consultant.

The Authority has agreed that it shall use its best efforts to effect such changes recommended by the Independent Consultant in its report. So long as the Authority uses its best efforts to comply with such recommendations, failure to comply with the rate covenant shall not constitute an Event of Default under the Bond Resolution; provided however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years shall constitute an Event of Default.

Establishment and Flow of Funds

Generally. The Bond Resolution provides for the creation of a general revenue fund (the “*General Revenue Fund*”), an operation and maintenance fund (the “*Operation and Maintenance Fund*”), a debt service fund with respect to each Series of Bonds (each a “*Debt Service Fund*”), and a renewal and replacement fund (the “*Renewal and Replacement Fund*”). In addition, the Bond Resolution allows, but does not require, each series resolution to establish a debt service reserve fund with respect to that Series of Bonds (each a “*Debt Service Reserve Fund*”).

General Revenue Fund. The General Revenue Fund, which shall be kept under the complete control and custody of the Authority, shall be maintained so as to reflect accurately the Gross Revenues of the System and the Net Revenues. All Gross Revenues shall be deposited in the General Revenue Fund and the Authority shall establish, from an accounting standpoint, proper records of receipts and disbursements for the General Revenue Fund. For a more detailed description of the funding requirements and flow of funds with respect to the foregoing funds and accounts, see “APPENDIX B – Bond Resolution and 2021 Series Resolution” attached hereto.

Transfers from the General Revenue Fund shall be made monthly, on or before the Business Day which is five Business Days (within the meaning of the Bond Resolution) prior to the end of each month, or as otherwise provided in the Bond Resolution in the following order of priority: (i) to the Operation and Maintenance Fund the amounts budgeted for Operation and Maintenance Expenses, as described in “– *Operation and Maintenance Fund*”; (ii) to each Debt Service Fund the amounts necessary to pay principal, redemption premium, if any, and interest on each Series of Bonds as described in “– *Debt Service Funds*” herein; (iii) after valuing the amount of money and securities on deposit in any Debt Service Reserve Fund 45 days prior to each Bond Payment Date, to such Debt Service Reserve Fund the amount necessary to make the amount of money and securities then on deposit therein equal to the respective Reserve Requirement; (iv) then shall be deposited for payment of interest on amounts advanced by the provider of any surety bond, line of credit, insurance policy or letter of credit; (v) to the Renewal and Replacement Fund the sum which has been currently determined by the Authority to be the estimated requirements therefor for said month; (vi) to the payment of Junior Lien Bonds; and (vii) for the maintenance or improvement, or payment of debt payable from the revenues, of the System or for the payment of Special Facilities Bonds or for deposit into the Rate Stabilization Fund, as described in “– *Rate Stabilization Fund*,” or for any other lawful purpose, as determined from time to time by the Authority.

Operation and Maintenance Fund. The Bond Resolution establishes an Operation and Maintenance Fund in order to provide for the payment of Operation and Maintenance Expenses.

Debt Service Funds. The Bond Resolution requires the establishment of a separate Debt Service Fund for each Series of Bonds. Each Debt Service Fund is intended to provide for the ratable payment of the principal of, redemption premium, if any, and interest on its respective Series of Bonds as the same shall become due. Withdrawals from such Debt Service Fund shall be made only by the 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.

The Bond Resolution provides that there will be deposited into each Debt Service Fund, the aggregate amount of interest and the aggregate amount of the principal of the respective Series of Bonds becoming due and payable (whether at stated maturity or by sinking fund installment) on such Bond Payment Date. All earnings from moneys in a particular Debt Service Fund shall become a part of such Debt Service Fund and shall be credited against payments which otherwise would be required to be made from the General Revenue Fund.

The 2021A Debt Service Fund, the Series 2021B Debt Service Fund, and the Series 2021C Debt Service Fund have been established by the Authority for the Series 2021A Bonds, the Series 2021B Bonds, and the Series 2021C Bonds respectively, and will be maintained by the Trustee under the terms of the Bond Resolution and the Series Resolution.

Debt Service Reserve Funds. A series resolution may (but is not required to) provide for the establishment of a Debt Service Reserve Fund for any Series of Bonds. Each Debt Service Reserve Fund so established shall be maintained in an amount equal to the respective Reserve Requirement, if any, for the applicable Series of Bonds. Funds in a particular Debt Service Reserve Fund will be available to secure only the payment of the Series of Bonds for which such fund has been established. See “APPENDIX B – Bond Resolution and 2021 Series Resolution” attached hereto. In connection with the issuance of the Series 2021 Bonds, the Authority will not establish a Debt Service Reserve Fund for either the Series 2021A Bonds, the Series 2021B Bonds, or the Series 2021C Bonds.

Renewal and Replacement Fund. The purpose of the Renewal and Replacement Fund established under the Bond Resolution is to provide a reasonable reserve for functional depreciation of the System and for contingencies. Money in this fund shall be used solely: (a) for the purpose of restoring depreciated or obsolete items of the System; (b) to defray the cost of unforeseen contingencies and extraordinary repairs; (c) to prevent defaults of Bonds and Junior Lien Bonds; and (d) for optional redemption of Bonds or Junior Lien Bonds. Withdrawals from this fund shall be made by or on order of the Authority.

Rate Stabilization Fund. As provided under the Bond Resolution, the Authority may establish a Rate Stabilization Fund to provide for the stabilization of rates by carrying forward surplus revenues. Under the Bond Resolution withdrawals from the Rate Stabilization Fund for deposit into the Operation and Maintenance Fund are counted in Net Earnings in the Fiscal Year of the withdrawal. See “– Rate Covenant” hereinabove.

Construction Funds. The Bond Resolution allows a series resolution for any Series of Bonds to create a construction fund established with respect to such Series of Bonds if the proceeds of such Series of Bonds are intended to be used for the expansion or improvement of the System, and to establish a capitalized interest account as a stand-alone account or as a sub-account within such construction fund if interest for any period of time is to be paid from proceeds of such Series of Bonds. Pursuant to the Series Resolution, the “2021A Construction Fund” has been established with respect to the Series 2021A Bonds and the “2021B/C Construction Fund” has been established with respect to the Series 2021B Bonds and Series 2021C Bonds.

Additional Bonds

The Authority may issue from time to time Additional Bonds on a parity as to the pledge of and lien on the Net Revenues securing the Series 2021 Bonds, for the purposes of: (a) obtaining funds for the expansions, additions, and improvements to the System, including the recoupment or reimbursement of funds already so expended; (b) providing funds for the payment of any bond anticipation note or notes issued in order to defray the costs of expansions, additions, and improvements to the System and that may have been issued in anticipation of the issuance and sale of Bonds; (c) 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; (d) providing funds for the payment of interest due on Bonds; (e) funding a Debt Service Reserve Fund or restoring the value of the cash and securities in a Debt Service Reserve Fund to an amount equal to the applicable Reserve Requirement and reimbursing amounts owed to any providers of surety bonds, lines of credit, insurance policies or letters of credit; and (f) paying the costs of issuance of Bonds, including any credit enhancement incurred by the Authority therefor.

The Authority may issue a Series of Bonds if Net Earnings (during the most recent Fiscal Year for which audited financial statements of the System are completed) are certified by the Accountants (within the meaning of the Bond Resolution) or by the Independent Consultants 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. For purposes of making such calculation, Net Earnings may be adjusted to reflect (i) any rate increases currently adopted and to be in effect prior to or coincident with the issuance

of such proposed Series of Bonds; (ii) in the event the Authority acquires another water utility, system or enterprise (in existence and operating), one hundred percent (100%) of the estimated Net Earnings to be received by the System from such acquired water utility, system or enterprise; (iii) if the proceeds of the proposed Series of Bonds will be used to construct or to acquire a newly-constructed water 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 estimated Net Earnings to be received by the System during the first Fiscal Year beginning after the date on which such project constructed or acquired with the proceeds of the proposed Series of Bonds is placed in service; (iv) if proceeds of such Series of Bonds are to be used to pay interest on such proposed Series, 100% of the interest to be paid from such proceeds during the first twelve months following the date of delivery of the proposed Series of Bonds; and (v) if proceeds of such proposed Series are to be used to construct or to acquire an expansion to the System, 100% of Net Earnings to be received in the first Fiscal Year following the completion of such project from customers under long-term contracts.

For the purpose of refunding any Bonds, the Authority, in lieu of satisfying the requirements of the preceding paragraph, may issue a Series of Bonds if the Annual Principal and Interest Requirements of the refunding Bonds do not exceed 105% of the Annual Principal and Interest Requirements of the refunded Bonds for any Fiscal Year until a time subsequent to the last maturity of Bonds not refunded and which remain Outstanding following the issuance of the refunding Bonds.

Junior Lien Bonds and Special Facilities Bonds

The Bond Resolution provides that the Authority may at any time, and without limitation and free of all conditions, issue Junior Lien Bonds and Special Facilities Bonds on the terms and conditions set forth therein. See “APPENDIX B – Bond Resolution and 2021 Series Resolution” attached hereto. The Authority has no Junior Lien Bonds or Special Facilities Bonds outstanding and does not have any present intent to issue any series of Junior Lien Bonds or Special Facilities Bonds.

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: (1) the aggregate principal amount of such obligations outstanding at any time shall not exceed 10% of the value of the equipment of the System, less accumulated depreciation, as shown on the audited balance sheet of the Authority for the most recent Fiscal Year for which audited financial statements are available; and (2) the loss of the property secured by the lien will not materially adversely affect the ability of the Authority to meet its financial obligations under the Bond Resolution.

Limitation of Remedies Under Federal Bankruptcy Laws

The rights and remedies provided in the Enabling Act and in the Bond Resolution may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, or to other laws or equitable principles that may affect the enforcement of creditors’ rights generally.

PLAN OF FINANCE

2021A Project

After using the proceeds of the Series 2021A Bonds to pay the costs of issuance related to the Series 2021A Bonds, the remaining net proceeds of the Series 2021A Bonds shall be deposited into the 2021A Construction Fund to be used to defray the costs associated with acquiring, engineering, permitting, constructing, furnishing and equipping of improvements to the System and any other improvements related thereto (collectively, the “*2021A Project*”), including the reimbursement of any costs of the 2021A Project previously incurred. The 2021A Project consists of (i) a new raw water well and an approximately 67,500-feet of new twelve-inch water mains connecting the new well to the System, and (ii) a portion of the cost of a 1,000,000-gallon elevated storage tank and a 67,500-

foot water line that will be constructed to serve the Plant, as defined and discussed in “—2021B/C Project” below, which is attributable to upsizing. The 2021A Project is a part of the implementation of the Authority’s capital improvement plan. See “THE AUTHORITY AND THE SYSTEM—5-Year Capital Improvement Plan” herein for further discussions of the capital improvement plan.

2021B/C Project

After using the proceeds of the Series 2021B Bonds and Series 2021C Bonds to pay the costs of issuance related to the Series 2021B Bonds and the Series 2021C Bonds, respectively, the remaining net proceeds of the Series 2021B Bonds and the Series 2021C Bonds shall be deposited into the 2021B/C Construction Fund to be used to defray the costs associated with acquiring, engineering, permitting, constructing, furnishing and equipping of improvements to the System and any other improvements related thereto (collectively, the “2021B/C Project” and together with the 2021A Project, the “Project”), including the reimbursement of any costs of the 2021B/C Project previously incurred. The 2021B/C Project consists of (i) an 800,000-gallon ground storage tank; (ii) a portion of the cost of an approximately 67,500-foot water line, and (iii) a portion of the cost of a 1,000,000-gallon elevated storage tank. The construction of the 2021B/C Project is necessary to initially support the operation of a planned poultry processing plant (the “Plant”) within the Authority’s service area. See “THE AUTHORITY AND THE SYSTEM—Contracts” herein for a further discussion of the construction of the Plant and the Water Purchase Agreement (as herein defined) in connection therewith.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds to be derived from the sale and issuance of the Series 2021 Bonds.

	<u>Series 2021A</u>	<u>Series 2021B</u>	<u>Series 2021C</u>	<u>Total</u>
<i>Sources of Funds</i>				
Principal Amount	\$	\$	\$	\$
Original Issue Premium				
Total Sources	_____	_____	_____	_____
<i>Uses of Funds</i>				
Deposit to 2021A Construction Fund				
Deposit to 2021B/C Construction Fund	_____	_____	_____	_____
Issuance Expenses ⁽¹⁾	_____	_____	_____	_____
Total Uses	_____	_____	_____	_____

⁽¹⁾ Includes underwriting, legal and financial advisory fees, initial Trustee’s fees, rating agency fees and other costs of issuance.

FINANCIAL FACTORS

Summary of Revenues and Expenditures

The table below provides a summary of historical revenues and expenses of operations of the System for the fiscal years ended June 30 of each of 2017 through 2021 (each a “Fiscal Year”; references to a Fiscal Year herein being reference to the 12-month period ending on June 30 of the year indicated). This summary for Fiscal Years 2017-2020 has been prepared from the audited financial statements of the Authority for the applicable Fiscal Years. The Fiscal Year 2021 information has been compiled by the Authority and is unaudited. A copy of the audited financial statements for Fiscal Year 2020 is included as Appendix C to this Official Statement.

	Fiscal Year				
	2017	2018	2019	2020	2021 ¹
Operating Revenues					
Water Sales	\$ 4,839,081	\$ 4,931,852	\$ 5,145,977	\$ 5,274,194	\$ 5,450,196
Reconnection, Service and Late Charges	241,891	275,965	244,697	231,580	223,440
Tap Fees	39,930	69,575	82,335	53,295	107,525
Impact Fees	38,719	65,497	76,814	49,280	107,338
Other Charges and Fees	38,853	32,350	30,228	33,997	40,141
Grant Revenue ²	-	472,635	-	-	-
Total Operating Revenues	\$ 5,198,474	\$ 5,847,874	\$ 5,580,051	\$ 5,642,346	\$ 5,928,640
Operating Expenses					
Auto Expenses	78,336	105,037	78,163	81,013	78,148
Bad Debts	9,213	24,030	114,783	33,251	24,000
Bankcard Charges	23,104	22,117	21,594	26,979	19,954
Chemicals and Supplies	97,255	114,884	111,637	120,709	126,852
Contract Services	78,126	78,410	80,691	85,495	94,653
Depreciation	1,221,042	1,270,761	1,350,637	1,349,437	1,336,282
Director's Fees	24,979	22,564	20,699	33,712	32,812
Dues and Subscriptions	14,126	18,839	25,479	19,365	23,786
Employee Benefits	49,658	48,042	46,294	46,929	58,492
Engineering	18,657	22,750	61,058	41,367	24,545
Equipment Rental	84	631	-	-	-
Insurance	253,474	261,317	242,564	288,780	296,202
Lab Fees	29,967	29,967	30,042	30,149	30,250
Legal and Professional Fees	197,638	166,713	294,560	148,894	115,154
Miscellaneous	24,567	16,658	15,192	17,213	29,403
Office Supplies	16,643	12,753	15,828	11,706	14,176
Payroll Taxes	77,944	81,918	75,770	83,972	92,066
Postage	3,305	5,332	5,900	4,261	4,555
Repairs and Maintenance	194,597	197,716	219,218	260,690	269,499
Salaries and Wages	1,008,217	1,048,065	963,648	1,128,317	1,199,108
System Maintenance and Supplies	22,436	13,463	17,491	20,029	11,607
Telephone	41,171	46,608	46,794	48,219	52,631
Travel	25,255	22,453	32,548	21,586	15,247
Water Purchase	221,990	224,081	224,421	224,836	164,604
Uniforms	16,586	17,381	25,842	14,698	20,227
Utilities	269,951	277,731	285,973	290,211	272,095
Total Operating Expenses	\$ 4,018,328	\$ 4,150,221	\$ 4,406,826	\$ 4,431,818	\$ 4,406,348
Operating Income	\$ 1,180,146	\$ 1,697,653	\$ 1,173,225	\$ 1,210,528	\$ 1,522,292
Non-Operating Revenue (Expenses)					
Interest Income	17,810	30,771	55,606	51,936	9,412
Interest Expense	(820,318)	(869,196)	(846,714)	(851,298)	(841,744)
Gain on Sale of Assets	-	-	1,742	-	34,198
(Loss) on Sale of Assets					
Total Non-Operating Revenue (Expenses)	(802,508)	(838,425)	(789,366)	(799,362)	(798,134)
Capital Contributions	-	-	456,854	752,362	307,066
Change in Net Position	377,638	859,228	840,713	1,163,528	1,031,224
Net Position, Beginning of Fiscal; Year	\$ 15,341,478	\$ 15,719,116	\$ 16,578,344	\$ 17,419,057	\$ 18,582,585
Net Position, End of Fiscal Year	\$ 15,719,116	\$ 16,578,344	\$ 17,419,057	\$ 18,582,585	\$ 19,613,809

¹ Unaudited; amounts are subject to change.

² "Grant Revenue" was reclassified as "Capital Contributions" for Fiscal Years 2019, 2020, and 2021, respectively.

Management’s Discussion and Analysis

The population in the Service Area has experienced net growth in recent years. Between calendar years 2010 and 2020, the population growth in Kershaw County, Sumter County and Lancaster County was 8.04%, 0.71% and 25.26%, respectively, with Lee County experiencing a 16.27% decrease. Management believes these population trends reflect a nationwide shift away from rural areas and into more urban corridors.

Operating Revenues. The Authority, upon the advice and recommendation of the Financial Consultant (as defined in “FINANCIAL FACTORS – Feasibility Report” herein) has consistently increased rates over the last five Fiscal Years. Rate adjustments, at the levels presented below and as otherwise detailed in “THE AUTHORITY AND THE SYSTEM – Historical Rates” herein, were the primary factor that resulted in an increase in revenues from \$5,198,474 in Fiscal Year 2017 to \$5,928,640 in Fiscal Year 2021 (a 14% increase). After the rate increases noted below, the System’s rates remain comparable to those of other nearby utilities and fall well within the affordability indices promulgated by the Environmental Protection Agency (EPA).

<u>For Bills Rendered as of:</u>	<u>Amount</u>
7/30/2017	3.0%
7/30/2018	1.5%
7/30/2019	2.0%
7/30/2020	3.0%
7/30/2021	2.0%

The number of active connections (see “THE AUTHORITY AND THE SYSTEM – Customers” herein) has increased approximately 10% over the past five years and the Authority anticipates that the active connections will continue to increase by 4% a year over the next 3 years. Those estimates are based on the fact that the Authority has issued availability letters for approximately 1,300 new homes that are scheduled to be constructed within the next 3 years. The Authority’s service territory includes all areas (east of the Wateree River) that are not served by the City of Camden, South Carolina, a municipal provider for water, sewer and electric utility services (“Camden”), and the area is experiencing significant growth. Camden is able to provide sewer services in some of the new growth areas which will allow developers to maximize the number of homes that they are able to build in subdivisions, as larger lots are required for septic service. The main growth areas include the areas surrounding the Governor’s Hill Industrial Park where the Authority’s new industrial customer, Prestage (as defined and described in “THE AUTHORITY AND THE SYSTEM – Contracts” herein) is locating and the Wateree Lake area. The Authority is also currently in the process of identifying dormant accounts that were turned off many years ago and have never come back online. The purpose of this process is to begin charging these customers the base (minimum) fee that each should be paying on a monthly basis. While some customers may choose to be permanently disconnected from the System, conservative estimates are that this would yield an additional \$125,000 in water revenues beginning in Fiscal Year 2023.

Operating Expenses. Operating expenses increased by 8.7% from Fiscal Year 2017 to 2021. System upgrades and additions during this time period have contributed to the Authority’s ability to keep cost increases for maintenance and operations at a minimum. Expenses are monitored on a monthly basis and the addition of a purchase order and inventory tracking system have streamlined supply purchases. Future operating expenses are projected to continue to increase at an approximate rate of 2% annually to account for inflation and growth with the exception of costs attributed to maintaining and operating additional infrastructure added to the System.

Non-Operating Revenues. Non-operating revenues, mainly interest earning on reserve funds, declined from a high of \$55,606 in Fiscal Year 2019 to \$9,412 in Fiscal Year 2021; this decline is attributable to lower interest rates on insured investments.

Net Assets. Net assets increased 36% from \$15,719,116 in Fiscal Year 2017 to \$19,759,825 in Fiscal Year 2021 as a result of increases in annual net revenues, which were used, along with reserve funds, to construct projects and reduce debt. Part of the increase in net revenues can be attributed to \$2.1 million in Rural Infrastructure

Authority and Community Development Block grants. The Authority makes every attempt to submit grant applications as often as permitted by the grantors.

Operating Reserves. As of June 30, 2021, the Authority had approximately \$2,456,000 in operating reserves not including inventory, customer deposits and debt service reserve balances. This reflects a small increase from previous reserves of approximately \$2,231,000, which is mainly attributed to interest income earned in prior years.

Recent Developments—COVID 19. On March 14, 2020, Governor Henry McMaster requested that all utilities in South Carolina not suspend or disconnect any essential services for nonpayment for the duration of the current state of emergency declared by his office due to COVID-19. See “INVESTMENT CONSIDERATIONS – Global Health Risk” herein. Approximately two months later, on May 13, 2020, Governor McMaster sent a letter to the Office of Regulatory Staff requesting that providers of utility services proceed with developing and implementing plans for phasing in normal business operations, while working with customers who need assistance to refer them to local organizations or arrange payment plans that will avoid or minimize penalties and service interruptions. While the Authority saw a slight decrease in water sales during the state of emergency there was not a significant impact on operations or revenue collections during this period. Receivable collections did slightly decrease during this period, but the majority of accounts were subsequently brought up to date and those that continued to experience an inability to pay were given payment plans or received some sort of third-party payment assistance.

Summary. It is anticipated that revenues will incrementally continue to increase over the next several Fiscal Years. Operating expenses are also anticipated to increase due to inflationary factors and customer growth. If necessary, future rate increases may be implemented as an inflation hedge as current Net Earnings are sufficient to pay debt service and meet annual coverage requirements. The Board is also committed to addressing funding the additional capital improvements through operating surplus, grants, Bonds and contributions when available.

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Budgets for Fiscal Years 2021 and 2022

The following table sets forth the final, revised budgeted revenues and expenses of the System for Fiscal Year 2021, the actual results for such Fiscal Year (unaudited) and the variance therefrom, and the currently budgeted revenues and expenses for Fiscal Year 2022.

	Fiscal Year 2021			Fiscal Year 2022 Budget
	Budget	Actual ¹	Variance	
Operating Revenues				
Water Revenue	\$ 5,275,624	\$ 5,450,196	\$ 174,572	\$ 5,618,600
Reconnection and Service Fees	217,000	223,441	6,441	218,000
Tap Fees	60,500	107,525	47,025	90,750
Impact Fees (Capital Contributions)	56,100	107,338	51,238	84,150
Interest Income	30,000	9,412	(20,588)	10,000
Miscellaneous	15,750	40,141	24,391	5,000
Total Operating Revenues	\$ 5,654,974	\$ 5,938,053	\$ 283,079	\$ 6,026,500
Operating Expenses				
Auto Expenses	89,000	78,148	(10,852)	90,000
Bad Debts	30,000	24,000	(6,000)	30,000
Banking and Card Services	20,000	19,954	(46)	25,000
Chemicals and Supplies	133,000	126,851	(6,149)	141,000
Contract Services	86,500	94,653	8,153	91,500
Depreciation	1,500,000	1,336,282	(163,718)	1,535,000
Director's Fees	38,000	32,812	(5,188)	38,000
Dues, Licenses, Subscriptions	23,000	23,786	786	25,000
Employee Benefits	83,000	58,492	(24,508)	81,500
Engineering	23,000	24,545	1,545	25,000
Equipment Rental	1,000	0	(1,000)	1,000
Insurance	348,670	296,202	(52,468)	386,000
Internet	6,000	4,557	(1,443)	6,000
Lab Fees/Testing	32,000	30,250	(1,750)	32,000
Legal/Professional	250,000	115,154	(134,846)	140,000
Miscellaneous	40,500	29,403	(11,097)	41,500
Office Supplies	13,000	14,176	1,176	13,000
Payroll Taxes	106,000	92,066	(13,934)	109,000
Postage	4,500	4,555	55	5,000
Repairs/Maintenance	247,500	269,499	21,999	226,500
Salaries/Wages	1,391,000	1,199,108	(191,892)	1,399,150
System Maintenance	17,500	11,607	(5,893)	17,500
Telephone	45,000	48,075	3,075	60,000
Travel	37,000	15,247	(21,753)	37,000
Water Purchase	168,000	164,604	(3,396)	90,000
Uniforms	19,000	20,227	1,227	16,000
Utilities	295,000	272,095	(22,905)	305,000
Total Operating Expenses	\$ 5,164,170	\$ 4,406,348	\$ (640,822)	\$ 4,966,650
Net Income	\$ 490,804	\$ 1,531,705	-	\$ 1,059,850

¹ Unaudited; numbers are subject to change.

Parity Bonds and Other Obligations of the System

Parity Bonds. The following obligations of the Authority are secured by and payable from the Net Revenues of the System. The pledge of and lien upon the Net Revenues securing the Series 2021 Bonds shall be on a parity with the pledges of the Net Revenues securing all Series of Bonds now Outstanding, as listed in the table below (the “*Parity Bonds*”).

Series	Dated Date	Final Principal Amount	Outstanding Principal Amount ¹
2014A	March 27, 2014	\$18,805,000	\$18,805,000
2014B	March 27, 2014	3,845,000	805,000
2017	January 12, 2017	2,267,966	1,936,319
2019	March 19, 2019	492,000	444,276

¹ As of July 1, 2021

Note: Totals may not foot due to rounding

Junior Lien Bonds. No Junior Lien Bonds or Special Facilities Bonds are currently outstanding.

Lease Purchase Transactions. No lease-purchase obligations are currently outstanding.

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Debt Service Requirements

The following table shows the debt service requirements on the Parity Bonds and the Series 2021 Bonds for the Fiscal Years indicated.

Fiscal Year Ending June 30	Total Annual Debt Service on Parity Bonds	Principal on Series 2021A Bonds	Interest on Series 2021A Bonds	Principal on Series 2021B Bonds	Interest on Series 2021B Bonds	Principal on Series 2021C Bonds	Interest on Series 2021C Bonds	Total Annual Debt Service
2022	\$ 1,464,714							
2023	1,464,578							
2024	1,463,383							
2025	1,462,558							
2026	1,466,033							
2027	1,463,633							
2028	1,465,533							
2029	1,466,558							
2030	1,461,708							
2031	1,463,421							
2032	1,463,971							
2033	1,463,358							
2034	1,449,646							
2035	1,415,898							
2036	1,415,498							
2037	1,408,424							
2038	1,374,202							
2039	1,374,402							
2040	1,373,002							
2041	1,375,002							
2042	1,375,202							
2043	1,373,602							
2044	1,375,202							
2045	64,802							
2046	64,802							
2047	48,601							
2048	-							
2049	-							
2050	-							
Total	\$33,057,733							

Note: Totals may not add due to rounding.

Historical Coverage

The following table sets forth summaries of Gross Revenues, Operation and Maintenance Expenses, Net Revenues, Net Earnings, Annual Principal and Interest Requirements and debt service coverage for each of the Fiscal Years 2017 through 2021. The summary information for Fiscal Years 2017-2020 has been compiled by the Authority from the Authority's audited results of operations for the applicable periods. Information for Fiscal Year 2021 is unaudited.

	<u>Fiscal Year</u>				
	<u>2017</u>	<u>2018</u>	<u>2019¹</u>	<u>2020¹</u>	<u>2021²</u>
Gross Revenues ³	\$5,216,284	\$5,406,010	\$5,637,399	\$5,694,282	\$5,938,052
Operation and Maintenance Expenses ³	<u>2,797,279</u>	<u>2,879,460</u>	<u>3,056,189</u>	<u>3,082,381</u>	<u>3,070,066</u>
Net Revenues ³	2,419,005	2,526,550	2,581,210	2,611,901	2,867,986
Net Earnings ³	2,380,286	2,461,053	2,502,654	2,562,621	2,760,648
Annual Principal and Interest Requirement ³	1,310,973	1,365,909	1,422,938	1,462,746	1,462,375
Debt Service Coverage ⁴	1.82	1.80	1.76	1.75	1.89

¹ Annual Principal and Interest Requirement in Fiscal Years 2019 and 2020 may differ from prior disclosure due to capitalization of interest associated with the Series of Parity Bonds issued in 2017.

² Unaudited; numbers are subject to change.

³ Calculated in accordance with the Bond Resolution.

⁴ Bond Resolution requires a minimum coverage ratio of 1.20%.

Feasibility Report

Generally

Raftelis Financial Consultants, Inc. (the "*Financial Consultant*") issued their forecast of operating financial results for Fiscal Years 2022-2026 (the "*Operating Forecast*"), a copy of which is attached hereto at APPENDIX F. The operating forecasts are based upon certain assumptions and considerations that are set forth and discussed in the Operating Forecast, including the revenues that are anticipated to be derived from the Water Purchase Agreement with Prestage, as such terms are defined, and as discussed further in "THE AUTHORITY AND THE SYSTEM—Contracts—Prestage Farms" herein.

The Fiscal Year 2022 projections set forth below conform to the Fiscal Year 2022 Budget as shown in "—Budgets for Fiscal Years 2021 and 2022" above. For purposes of this forecast, Gross Revenues, Operation and Maintenance Expenses, Net Earnings and Annual Principal and Interest Requirements have been determined according to the provisions of the Bond Resolution. Factors relevant to the forecast are described in the footnotes accompanying the table; such factors represent the Authority's best estimates and adjustments during the projection period and such estimates and adjustments are subject to a variety of risk and uncertainties. There can be no assurance that the forecasts or the factors relevant to the forecast will be realized or that actual results will not differ materially from those forecasted.

Forecasted Net Earnings and Debt Service Coverage

The following table shows the forecasted Gross Revenues, Operation and Maintenance Expenses, Net Revenues, Net Earnings, Annual Principal and Interest Requirements, and debt service coverage of the System for each of the Fiscal Years 2022 through 2026 as projected by the Financial Consultant and as described in the Operating Forecast.

	Fiscal Year				
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Gross Revenues ^{1*}	\$6,289,600	\$7,082,100	\$7,119,300	\$7,299,200	\$7,476,500
Operation and Maintenance Expenses ^{1**}	<u>3,178,100</u>	<u>3,388,500</u>	<u>3,496,200</u>	<u>3,607,400</u>	<u>3,722,100</u>
Net Revenues ¹	3,223,600	3,688,900	3,616,900	3,684,200	3,749,900
Net Earnings ¹	2,999,400	3,571,900	3,567,000	3,635,700	3,698,300
Annual Principal and Interest Requirements ¹	1,797,800	2,526,200	2,522,400	2,572,700	2,620,500
Debt Service Coverage ^{***}	1.67	1.41	1.41	1.41	1.41

¹ Calculated in accordance with the Bond Resolution.
^{*} Assumes addition of 717 new customers over the projection period and 2% annual rate increases.
^{**} Assumes increases to account for inflation and customer growth.
^{***} Estimated.

Projected Reserve Fund Balances

The following table shows the forecasted reserve fund balances of the Authority for each of the Fiscal Years 2022 through 2026 as projected by the Financial Consultant and as described in the Operating Forecast. Subject to the assumptions and conditions set forth in the Operating Forecast, the Financial Consultant reports that projected cash reserve balances reflect the substantial financial strength of the Authority.

	Fiscal Year				
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Operating Reserve Fund					
Beginning Balance ¹	\$2,456,000	\$2,969,300	\$3,298,000	\$3,584,700	\$3,886,600
Ending Balance	2,970,300	3,303,700	3,596,400	2,993,100	1,750,600
Renewal and Replacement Fund					
Beginning Balance	\$1,112,300	\$1,251,800	\$1,416,300	\$1,620,400	\$1,927,100
Ending Balance	1,251,800	1,416,300	1,620,400	1,927,100	1,499,200
Impact Fee Fund					
Beginning Balance	\$2,500	\$114,600	\$236,300	\$292,400	\$173,500
Ending Balance	114,600	236,300	292,400	173,500	54,600
Total Reserves	\$4,336,700	\$4,956,300	\$5,509,200	\$4,093,700	\$2,304,400

¹ Unaudited.

Future Debt

As provided in “THE AUTHORITY AND THE SYSTEM – System Facilities” and “FINANCIAL INFORMATION – Capital Improvements” herein, over the next ten years the Authority anticipates the issuance of additional Series of Bonds to pay for capital improvements identified in the Authority’s capital improvement plan (see “THE AUTHORITY AND THE SYSTEM – 5-Year Capital Improvement Plan” herein. The issuance of the

Series 2021 Bonds is being structured so as to properly account for and allow for the issuance of additional Series of Bonds as needed to further implement capital projects for the System.

THE AUTHORITY AND THE SYSTEM

Creation of the Authority

The Authority is a public service district of the State, created and established as a body politic and corporate pursuant to the Act. The Authority was formerly known as the Kershaw County and Lee County Regional Water Company, Inc. (d/b/a Cassatt Water Company), a not-for-profit water company (the “*Water Company*”). The Water Company was originally incorporated on November 18, 1969 (as subsequently amended) for the purpose of acquiring, constructing, maintaining and providing a water distribution system and supplying water to individuals, farms, businesses, corporations and political subdivisions within its service area. Pursuant to the provisions of the Act, effective March 5, 2014, the Water Company was converted from a not-for-profit corporation into a public service district, and on that date the South Carolina Secretary of State issued a new charter to the Authority. The terms of the charter issued to the Authority officially designated the Authority as a public service district, a public body politic and corporate of the State. By the terms of conversion documentation and Section 33-36-1370 of the Act, the Authority, through the conversion, assumed all assets, properties and liabilities of the Water Company.

Operation of the Authority; Personnel

The Authority is governed by a nine-member Board of Directors (the “*Board*”). Upon the expiration of the term of a member of the Board, the Board must recommend individuals for appointment or reappointment to the respective county legislative delegations of Kershaw, Lee, Sumter, and Lancaster Counties. Each county legislative delegation shall consider the recommendation of the Board, but is not limited to that person in making its appointment. Each new member appointed by the county legislative delegation is appointed for a term of four years and until his successor is appointed and qualifies.

Under the Act, the legislative delegations of each of Kershaw County, Lee County, Sumter County and Lancaster County shall have the right to appoint a number of members who bear the same relationship to the total number of members of the Board as the number of customers of the Authority within such county bears to the total numbers of customers of the Authority. The Authority, as of September 2021, served 10,440 customers, of which 6,410 are located in Kershaw County, 3,650 are located in Lee County, 120 are located in Sumter County and 260 are located in Lancaster County. On the basis of these customer counts and the Authority’s interpretation of the provisions of the Act regarding the succession of the Board, the Board consists of four Board members from Kershaw County, three Board members from Lee County, one Board member from Sumter County and one Board member from Lancaster County.¹

The recitation above as to the method of appointing the Board in the future is based upon the Authority’s interpretation of the Act, but the matter is not otherwise free from doubt as reasonable minds could differ as to the number of members to be approved by each of the above-mentioned legislative delegations. The Authority believes, however, that its interpretation is the correct one as the South Carolina courts generally reject an interpretation of a statute that would lead “to an absurd result that could not have been intended by the legislature.” See *Lancaster Cnty. Bar Ass’n v. S. Carolina Comm’n on Indigent Def.*, 380 S.C. 219, 670 S.E.2d 371 (2008). Were the statute applied exactly as written, approximately 4% of the members of the Authority would be represented by 4 of the 9 votes on the Board. This appears to be the type of absurd result that is rejected by the South Carolina courts. The analysis above regarding the method of appointing new members to the Board under the Act does not in any way affect the validity and enforceability of the Series 2021 Bonds in accordance with their terms.

Additionally, of the current seats on the Board, one position is vacant and the service term of seven of the eight remaining members have expired. Consistent with the Act, the Board has made recommendations for

¹ Due to holdovers and the failure to appoint new members to the Board, there is currently no representation on the Board from Sumter or Lancaster Counties.

appointments, but no actions have been taken by the respective legislative delegations to duly appoint and confirm the recommended members. The members whose terms have expired are considered to be in holdover status until a qualified successor is appointed under terms of the Act.

Should the validity of the Board be challenged, public policy protects any actions taken by the Board. If a court later determined that the Board or certain members thereof were not entitled to serve under the provisions of the Act or that their holdover status is not authorized, they would still be considered to have validly served as *de facto* members of the Board prior to the date of challenge. See *State v. Court of Probate of Colleton County*, 266 S.C. 279 (1975). The *de facto* doctrine rests upon considerations of public policy and necessity; it was introduced into the law for the purpose of protecting the interests of the public, as well as those of private individuals, where those interests were involved in the official acts of one who may be found exercising the duties of an office, though without lawful authority. *Id.* As *de facto* members of the Board, any actions taken by the Board would be valid, binding on the parties involved and immune from collateral attack. *Id.*, also see *State v. West*, 249 S.C. 243 (1967); *Zaman v. S.C Board of Medical Examiners*, 305 S.C. 281 (1991).

Pope Flynn, LLC, as Local Counsel to the Authority, will deliver a supplemental opinion at the closing of the Series 2021 Bonds that, under the laws of the State, the actions of the Board members are valid and binding, and immune from collateral attack, and in the event the composition of the Board or the holdover status of its members is challenged, the members of the Board validly serve in a *de facto* capacity.

The current members of the Board, the County they currently represent, their occupations, start date of current term, and expiration date of current term, are shown in the following table. Pursuant to the Act, those members of the Board whose terms have expired continue to serve until their successor is appointed and qualifies.

<u>Name</u>	<u>County</u>	<u>Occupation</u>	<u>Start Date of Current Term</u>	<u>Expiration Date of Current Term</u>
Mr. Roosevelt Halley	Kershaw	Retired; formerly employed as Director of the S.C. Employment Security Commission	November, 2015	October, 2019
Mr. Derrick Brown	Lee	Garage Owner	February, 2015	October, 2015
Mr. Tony Mike Davis	Kershaw	Property Manager	October, 2019	October, 2023
Mr. Julius Gause	Kershaw	Retired; formerly a Zoning/Planning Director	November, 2014	October, 2018
Mrs. Ollie Thompson	Kershaw	Retired; former Teacher	October, 2016	October, 2020
Mr. Eddie Thomas	Lee	Minister	October, 2015	October, 2019
Mr. Kenneth Carter	Kershaw	Minister	October, 2016	October, 2020
Mr. Furman Fountain	Lee	Retail Manager	November, 2013	October, 2015
Vacant	Lee	-		

The Chairman of the Board is Mr. Ted Halley, who has served in such capacity since November 2015.

The Secretary of the Board and bookkeeper for the Authority is Angela McCaskill. Ms. McCaskill was originally employed by the Water Company since July 2000 and has served as Secretary to the Board since November 2010.

The Chief Executive Officer of the Authority is Ms. Donna M. Tuttle. Ms. Tuttle has served as the Chief Executive Officer (and Chief Financial Officer) of the Authority since September 2016, and serves at the pleasure of the Board. Ms. Tuttle previously served as Chief Financial Officer of the Authority since its inception in March 2014, and served as Chief Financial Officer of the Water Company from July 2013 to the Authority's inception. Prior to working for the Water Company, Ms. Tuttle served as Controller/Director of Utilities for Palmetto Utilities from January 2004 to July 2013. Ms. Tuttle received a Bachelor of Science degree in Business Administration Accounting from the University of South Carolina in 2009.

The Chief Operations Officer of the Authority is Mr. John Watkins. Mr. Watkins has served as the Director of Operations since October 2016 and serves at the pleasure of the Chief Executive Officer. Mr. Watkins previously served as Project Manager for the Authority since its inception, and served as Project Manager for the Water

Company since May 1987. In his role as Director of Operations, Mr. Watkins is responsible for all water quality and maintenance operations of the System. Mr. Watkins is a licensed distribution operator and has a “D” level water treatment license.

History of Water Company Prior to Conversion

As previously noted, the Water Company was incorporated on November 18, 1969. At the time of its initial operation, the Water Company served approximately 500 customers in the rural Cassatt and Sandy Run communities of Kershaw County. On July 1, 1975, Kershaw County passed a resolution designating the Water Company’s service area to include all of the area in Kershaw County east of the Wateree River not then served by another water utility or that might become available to be served. On July 8, 1975, Lee County passed a similar resolution designating the Water Company’s service area to also include all of the area in Lee County not then being served by another water utility. Following the adoption of the aforementioned resolutions, on July 31, 1975, Kershaw County, Lee County and the Water Company entered into an Agreement for Establishment of Rural Water Service in Portions of Kershaw and Lee County, pursuant to which these counties provided funds to expand the infrastructure and service capabilities and further provided for the expansion of the Water Company’s service area.

Since 1975, the Water Company continued to expand its service area to include service to portions of Kershaw County, Lee County, Sumter County and Lancaster County. Post-1975 expansions were implemented in response to potential demand or as a result of the acquisition of smaller systems (including three special purpose districts and a portion of the City of Bishopville). At the time of the conversion of the Water Company to the Authority, the System’s service area included an area of approximately 764 square miles as further discussed in “-Service Area; Other Providers in and Around the Service Area” hereinbelow and provided water service to approximately 24,300 people.

Service Area; Other Providers in and Around the Service Area

The Authority is a large, multi-county public service district with a base of operation in the Cassatt community in Kershaw County, which is located 40 miles northeast of the City of Columbia. The Authority is engaged in (i) the withdrawal and treatment of ground water; (ii) the wholesale purchase of treated water; and (iii) the storage, transmission, and distribution of water to residential and commercial customers primarily in Kershaw and Lee Counties. The Authority also provides water services to small areas in Lancaster County and Sumter County as specifically shown at Figure 1 below (collectively, the “*Service Area*”).

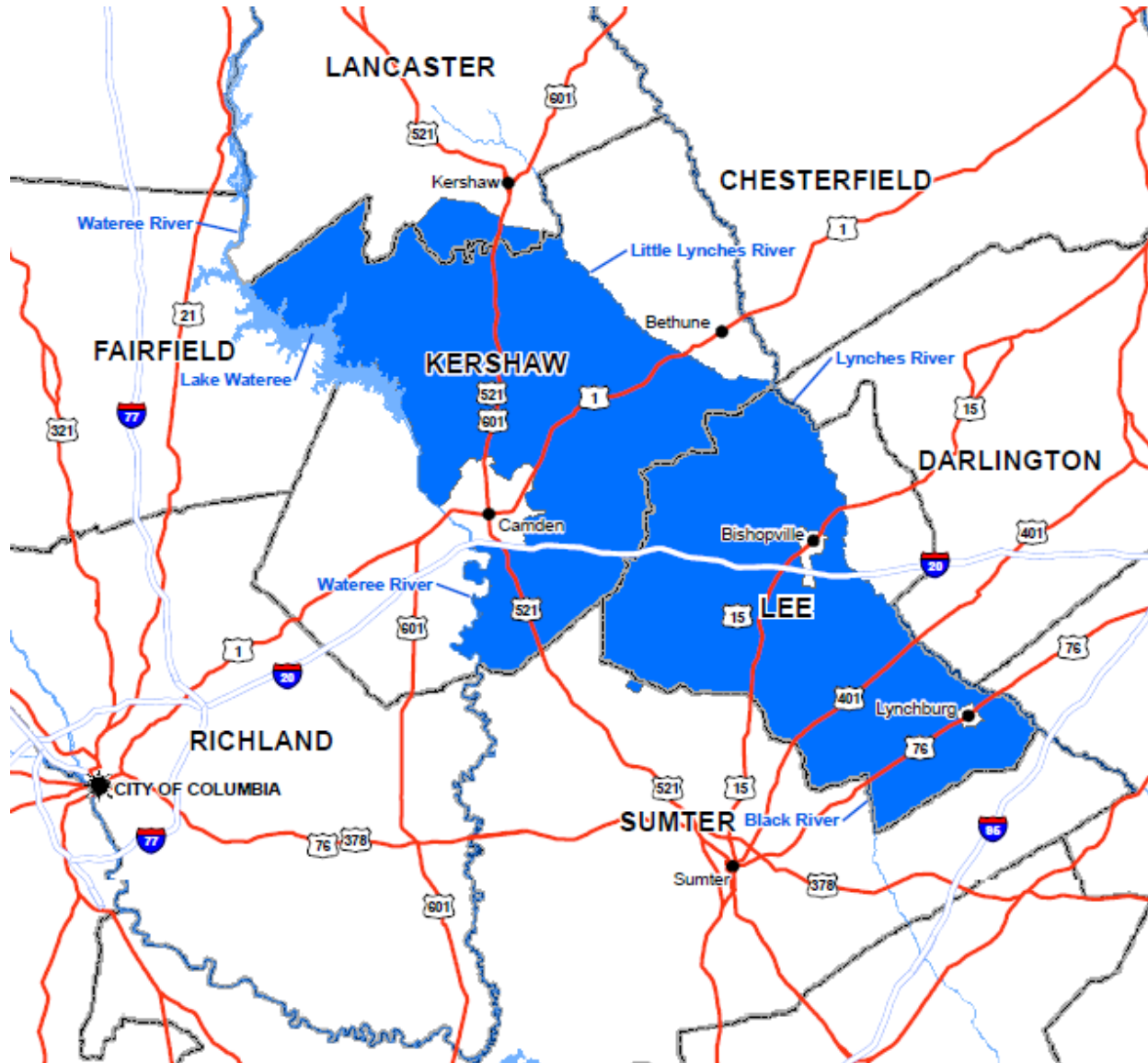
In Kershaw County, with the exception of the area served by Camden (2020 population of 7,788), the Service Area includes all of the territory east of the Wateree River and west of the Little Lynches River (approximately 60%) of the county. In Lee County, the Service Area covers almost the entire county with the exception of the areas served by the City of Bishopville (2020 population of 2,887) and the Town of Lynchburg (2020 population of 323). In Sumter County, the Authority serves a small area in the northeast corridor of the county around S.C. Highway 15. In Lancaster County, the Authority serves a small area in the southern portion of the county to the west of S.C. Highway 601.

Neither Kershaw County, Lee County, or Lancaster County presently own or operate their own water systems and no indication has been provided to the Authority of a present intention by those entities to so act. Sumter County has taken over and acquired several small water utility systems, but the Authority is not aware of any plans of Sumter County to acquire new utilities or otherwise grow its current water system. Additionally, the Sumter County facilities are located in the southern and western portions of that county, which area is not close to the Authority’s service area in that County. The majority of Lancaster County (90%) is served water by the Lancaster County Water and Sewer District (“*LCWSD*”), a public service district similar to the Authority. LCWSD is not authorized to expand its service area without proper authorization from the governing body of Lancaster County. The Authority does not know of any existing plans by LCWSD or Lancaster County to expand the service area of LCWSD or otherwise diminish the service area of the Authority in that county.

The surrounding municipalities of Camden, City of Bishopville, Town of Lynchburg, Town of Kershaw, or Town of Bethune have certain rights under State law to displace the Authority in areas annexed by these municipalities (see “– Annexation and Boundary Changes” herein). The Authority is, however, protected by federal law from having its service area curtailed through annexation by another local government entity under the provisions of 7 USC 1926(b). See “– Annexation and Boundary Changes” herein.

A map of the Service Area, as prepared by AECOM, formerly URS Corporation, is shown in Figure 1 below.

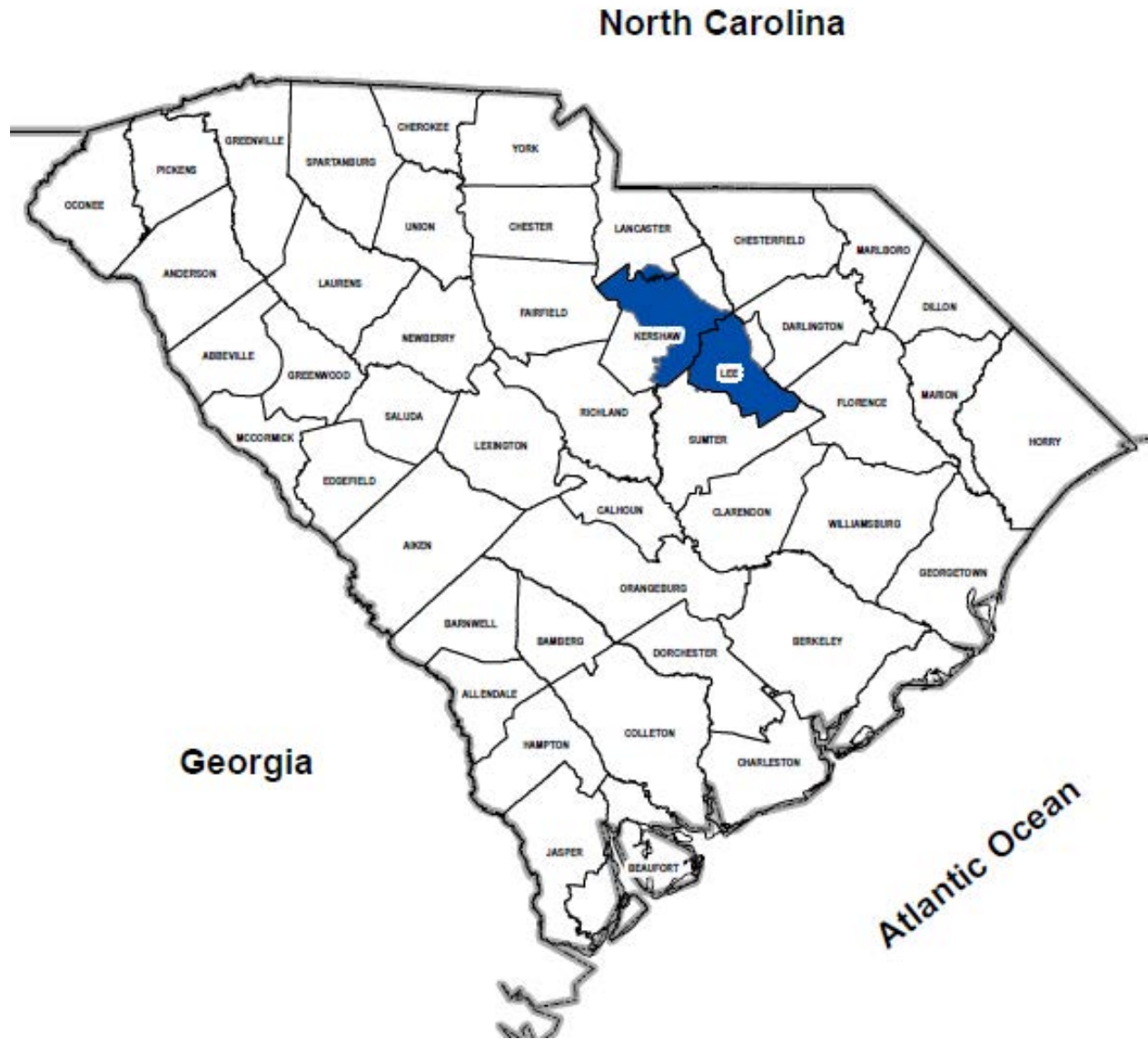
MAP OF THE SERVICE AREA (Figure 1)



Location of the Authority within the State

A map of the Service Area in relation to the State, as prepared by AECOM, formerly URS Corporation, is shown in Figure 2 below.

MAP OF THE SERVICE AREA IN RELATION TO THE STATE (Figure 2)



Annexation and Boundary Changes

Annexation Procedure. The South Carolina Code provides that the boundaries of a special purpose district (which includes public service districts like the Authority) may be altered by the annexation of area within a special purpose district by an adjacent municipality. Generally, annexation is accomplished pursuant to one of two methods. The first method requires the filing of a petition signed by 75% or more of the freeholders within the area to be annexed with the annexing municipality; acceptance of the petition is reflected through the enactment of an ordinance by the municipality ordering the annexation. Upon enactment of the ordinance, the annexation is complete. The second method of annexation is initiated when at least 25% of the qualified electors who are resident within the proposed area to be annexed file such petition with an adjacent municipality. Such action triggers a referendum procedure whereby the electors within the area to be annexed vote on the question of the annexation. Should, following a favorable referendum, 5% of the qualified electors residing within the municipality challenge such action with a signed petition filed with the municipality, the question of the annexation shall be submitted to the entire municipal electorate. Should the initial referendum result favorably to annexation without challenge, or should both referendums result favorably to annexation, the annexing municipality enacts an ordinance declaring the result of the vote or votes and the annexation is complete.

When all or part of a special purpose district is annexed into a municipality pursuant to either of the methods described above, Sections 5-3-300 through 5-3-315 of the South Carolina Code (the “*Annexation Procedures*”), provide that:

1. At the time of annexation or at any time thereafter the municipality may elect at its sole option to provide the service formerly provided by the special purpose district within the annexed area. The transfer of service rights must be made pursuant to an Annexation Plan (as defined hereinbelow).
2. Until the municipality upon reasonable written notice elects to displace the special purpose district's service, the district must be allowed to continue providing service within the special purpose district's annexed area.
3. Annexation does not divest the special purpose district of any property; however, subject to the provisions of item (4) below, real or tangible personal property located within the area annexed must be transferred to the municipality pursuant to an Annexation Plan.
4. In any case in which the municipality annexes less than the total service area of the special purpose district, the special purpose district may, at its sole discretion, retain ownership and control of any asset, within or without the annexed area, used by or intended to be used by residents within the special purpose district's unannexed area or used or intended to be used to provide service to residents in the unannexed area of the special purpose district.
5. Upon annexation of less than the total area of the district, the district's boundaries must be modified, if at all, pursuant to an Annexation Plan. Such Annexation Plan must specify the new boundaries of the special purpose district.

Annexation Plan. An annexation plan (the “*Annexation Plan*”) is required to balance the equities and the interests of the residents and taxpayers of the annexed area and of the area of the special purpose district not subject to annexation. If the municipality and the special purpose district cannot agree on an Annexation Plan within 90 days following a favorable referendum, the special purpose district and the municipality must appoint a committee to formulate an Annexation Plan. Within 60 days thereafter, such committee must formulate an Annexation Plan.

The Annexation Plan may take into account any of the equities and interests involved, provided it complies with the following:

1. The Annexation Plan may provide for certain service contracts to be entered into between the municipality and the district. The municipality has the right, in its sole discretion, to determine

whether the municipality will provide service to the area annexed directly or by contract with the special purpose district. At the option of the special purpose district, the Annexation Plan may provide for service contracts by which the municipality will provide service to residents of unannexed areas of the special purpose district.

2. In any case in which less than the total service area of the special purpose district is annexed by the municipality, the Annexation Plan must:
 - a. protect the special purpose district's ability to serve the residents of the district's unannexed area economically and efficiently and protect the special purpose district's ability to continue to expand or otherwise make service available throughout its unannexed area;
 - b. protect the ability of the municipality to serve residents of the annexed area of the district economically and efficiently; and
 - c. protect the rights of the special purpose district's bondholders.
3. To carry out the requirements of subitem (a) of item (2) above, the Annexation Plan shall require the municipality to assume contractually the obligation to pay debt service on an amount of the district's bonded indebtedness or other obligations including lease purchase obligations adequate to offset the district's loss of net service revenue or tax revenue from the area annexed, in accordance with the following:
 - a. specifically included within this amount must be revenues, if any, projected under the provisions of any governmentally approved plan promulgated pursuant to federal pollution control legislation;
 - b. as the special purpose district retires bonded indebtedness existing at the time of annexation, the municipality's payment obligation under this provision must be reduced by the proportion which the principal amount of the indebtedness retired bears to the total principal amount of bonded indebtedness of the district at the time of annexation; and
 - c. as used herein, net service revenue means revenue from fees, charges, and all other sources, attributable to service provided in the area annexed, less the actual cost of operating and maintaining the system or facilities needed to serve that area; however, debt service or other payments required to finance capital assets may not be considered to be part of such operating and maintenance expenses. Tax revenue means taxes collected from property owners within the annexed area.
4. In no event may any provision be incorporated in any plan which will impair the rights of bondholders.

If either the municipality or the special purpose district objects to the Annexation Plan created by the committee, it may appeal, within 30 days of receipt of the Annexation Plan, to the court of common pleas for the county in which the annexed area lies. The court may modify the plan forwarded by the committee only upon finding an error of law, abuse of discretion, or arbitrary or capricious action by the committee. The fact that a plan has not been finalized may not in any way alter or delay the effective date of annexation; however, the special purpose district retains the right to operate its existing system, collect revenues, and collect taxes from or within the area annexed until such time as the municipality and the special purpose district agree on a plan or a plan is presented to the municipality and the special purpose district as described above. In the event a plan is appealed to the courts, the court of common pleas for the county in which the annexed area or any part thereof lies may enter such orders under its general equitable powers as are necessary to protect the rights of parties pending final resolution of any appeal.

Alteration of Boundaries by County Councils. Pursuant to Sections 6-11-410 through 6-11-650 of the South Carolina Code, the governing bodies of the several counties of the State are authorized to enlarge and diminish the boundaries of special purpose districts located within their respective boundaries and to consolidate two or more special purpose districts located within their respective boundaries. However, this alteration statute is not applicable to the Authority as the statute only applies to those special purpose districts created prior to March 7, 1973.

Dissolution of the Authority. A procedure for dissolving special purpose districts was adopted by the state legislature in 1998. This procedure requires that prior to circulation of a petition for dissolution (which must be signed by 40% of the qualified electors in the Authority), a successor service provider must agree to provide all services and also be responsible to fully pay or defease all outstanding bonds of the Authority. If a petition obtains the requisite number of signatures, a referendum then must be held at which two-thirds of the qualified electors voting must approve the dissolution.

Limitations on Annexation Under Federal Law. Notwithstanding the foregoing, Title 7, Section 1926(b) of the United States Code (“*Section 1926(b)*”) prohibits a municipality from curtailing the service provided by another local government entity which is indebted to the United States Government through one or more loans from the United States Department of Agriculture, Rural Development (“*Rural Development*”) through the annexation of the territory of such local government service provider. See 7 USC 1926(b). The Authority has issued its \$492,000 Water System Improvement Revenue Bond, Series 2019 (Taxable), dated March 19, 2019, an obligation that is guaranteed by Rural Development (the “*2019 Bond*”).² By virtue of Rural Development’s guarantee of the 2019 Bond, the Authority is subject to the anti-curtailement provisions of Section 1926(b) and believes that the municipalities surrounding the Authority are prevented from curtailing the service provided by the Authority through (i) the annexation of properties and customers within its Service Area, (ii) alteration of its boundaries, or (iii) dissolution, all as described hereinabove.

System Facilities

The System consists of a water supply and treatment, storage and distribution facilities. The System covers an approximately 764 square-mile area that is divided into 15 pressure zones. The Authority owns and operates 13 groundwater wells (including the new Hettie Rickett well that became operational on July 1, 2021), has an additional 6 standby service wells and 1 inactive well. See “– Usage” herein for a discussion of the capacity of this infrastructure. The wells are limited by South Carolina Department of Health and Environmental Control (“*DHEC*”) to pumping no more than 16 hours per day (except to emergency situations wherein 24-hour pumping is permitted). The depth of the wells ranges from fewer than 100 feet to more than 450 feet. Withdrawn water is treated at each well site by chlorination and is adjusted for pH level. Whereas the System’s aggregate well-pumping capacity is rated by its consulting engineers at 4.5 million gallons per day (“*MGD*”), the average daily peak for fiscal year 2021 was 1.995 MGD. The Authority distributes treated water to its customers through 705 miles of water lines. The lines range in diameter from ¾ of an inch to 10 inches, and were constructed over the last 40 years. Approximately 90% of the System’s water lines are made of PVC (plastic). The remainder is composed of ductile iron or asbestos cement. The System also has nine booster pump stations, 29 storage facilities for treated water, including elevated, standpipe and hydropneumatic tanks, three buildings and 25 vehicles. The System’s facilities operate effectively, and are capable of meeting the current average daily demands of the Authority’s customers. The System is in compliance with all permit requirements of the DHEC. Also see “– Regulatory Status” herein.

Water Sources

Introduction. The System’s principal source of underground water is from aquifers. The System draws principally from the Middendorf Formation and to a lesser extent the Black Creek Formation. In South Carolina, the outcrop of the Middendorf lies immediately below, and is demarcated by, the State’s geologic fall line. The fall line runs diagonally through the center of the State in a generally northeast to southwest direction. In Kershaw County, the Middendorf’s outcrop underlies virtually the entirety of Kershaw County below the fall line, and is therefore

² The 2019 Bond is one of the Parity Bonds as described in “FINANCIAL FACTORS - Parity Bonds and Other Obligations of the System” above.

situated under the Service Area. The System is therefore centered on the aquifer’s recharge zone. Groundwater recharge is the hydrologic process by which water moves downward from surface water to groundwater through the water cycle. This strategic location provides the Company with ready access to groundwater as well as a greater volume of groundwater on which to rely, than those groundwater utility systems in South Carolina that also rely on the Middendorf, but are located east and south of the recharge zone. According to a 2002 report by the South Carolina Department of Natural Resources, Land, Water and Conservation Division (the “*Department*”), entitled *Ground-Water Resources in Kershaw County, South Carolina, Water Resources Report 24*, it was determined that “Kershaw County, S.C. has adequate ground water for considerable growth in public, industrial, and irrigation supplies that rely on that resource.” In another report by the Department in 2004 entitled, *Ground-Water Resources of Lee County, South Carolina, Water Resources Report 33*, it was stated that “Lee County, S.C., has abundant ground water resources available for public and industrial supplies and crop irrigation.”

In Fiscal Year 2021, the System produced and distributed over 728.3 million gallons of water. Of this amount, over 720.6 million gallons were withdrawn from the System’s wells, and approximately 7.7 million gallons were purchased from Alligator Rural Water & Sewer Company, Inc., located in McBee, South Carolina (“*Alligator*”). See “– Contracts” herein for further discussion of these arrangements.

Breakout of Water Sources. The table that follows provides a breakout of the Authority’s source of water (in gallons) for the Fiscal Years indicated:

<u>Year</u>	<u>Wells</u> ¹	<u>Alligator</u>	<u>Camden</u> ²	<u>Total</u>
2017	683,468,357	21,018,190	36,157,650	740,644,197
2018	668,450,236	20,714,520	31,947,712	721,112,468
2019	654,079,356	19,260,120	44,976,586	718,316,062
2020	664,887,256	5,275,579	1,066,192	671,229,027
2021	720,610,224	7,729,306	27,431	728,366,961

¹ Subject to the following conditions: (1) pumped water data from well discharge is not based on metered gallons but rather hours of run time on pump motors; (2) gallons pumped per well varies on the basis of pressures on the System; and (3) pump efficiency declines with time and wear.

² Contract with Camden expired on December 31, 2020 and was not renewed.

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Recent Capital Improvements

The Authority upgrades and expands the System on an ongoing basis. The following table indicates expenditures for the capital improvements (items in excess of \$100,000 in total cost) made to the System for the last five Fiscal Years as shown on the table below, which improvements were financed with the proceeds of long-term debt and moneys from operations of the System.

<u>Year/Projects</u>	<u>In-Service Date</u>	<u>Total Amount</u>	<u>Grants</u>	<u>Parity Bonds</u>	<u>Self-Pay</u>
<u>2017</u>					
Community Center Water Main	7/28/2016	\$365,161		\$365,161	
Doc Humphries Rd Water Main	10/31/2016	495,698		495,698	
Drakeford Rd Water Main Upgrade	8/19/2016	164,577		164,577	
Joy Rd Water Main Upgrade	10/31/2016	329,364		329,364	
Red Hill Water Main	10/31/2016	702,751		702,751	
Red Hill/Shiver Pond Rd Water Main	9/23/2016	237,742		237,742	
Springhill Booster Pump Station	7/28/2016	485,205		485,205	
Tombfield Rd Water Main	9/22/2016	500,819		500,819	
Building Additions	6/30/2017	266,076			\$266,076
Valley Park Water Main Upgrade	9/26/2016	1,238,308		1,238,308	
<u>2018</u>					
Sycamore PRV service upgrade	9/20/2017	120,703			120,703
<u>2019</u>					
Taps and New Extensions	6/30/2019	109,591			109,591
HWY 97 Sycamore BPS/Tank (new)	3/1/2019	2,214,756			101,856
Redhill Tank (Replaced old tank)	8/30/2018	927,906	\$500,000	2,112,900	427,906
<u>2020</u>					
English Lane – Main Lines	6/30/2020	533,533			153,106
St. Charles Elevated Tank	6/30/2020	1,194,745			494,745
Tremble Branch Rd Upgrade	6/30/2020	96,836	380,427		96,836
Ratcliff Pond Rd Main Upgrade	6/30/2020	201,418	700,000		201,418
<u>2021</u>					
Hettie Rickett Well	6/30/2020	1,331,260	500,000		831,260
Totals		\$11,881,610	\$1,080,427	\$6,997,685	\$2,803,497

5-Year Capital Improvement Plan

The following plan provides a listing and the amount of various capital improvements to be made to the System over the next five years.

<u>Projects</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
400,000 Ground Storage Tank/Booster Pump ¹					\$1,825,000
Upgrade to 8" line-Old Georgetown Road West to Keys Lane ²					3,055,000
Booster Pump-Redhill Area ³				\$350,000	
Robinson Town Road - Upgrade to 8" Line ³					1,437,850
Flat Rock Inlet Tank ³					365,000
500,000 Gallon Elevated Storage Tank ¹					1,825,000
Repaint Lucknow Elevated Tank ¹	\$386,900				
Repaint Baron Dekalb Tank ¹	86,920				
Repaint Cedar Creek Tank ³	63,600				
Shepard Elevated Tank Repairs ³	15,900				
Upgrade Johnson Pond Road to 8" ¹				332,600	
Upgrade Cooper Mill Road to 8" ¹				221,760	
Total	\$553,320	-	-	\$904,360	\$8,507,850

¹ Anticipated to be funded with grants.

² Anticipated to be funded with bonds.

³ Anticipated to be self-funded with cash.

Contracts

The Authority is subject to a number of water purchase agreements, all as described below.

Alligator Water and Sewer Company. On August 16, 2010, the Water Company and Alligator entered into an agreement for the purchase of treated water at wholesale rates. Under this contract, which has been assigned to the Authority as the successor in interest to the Water Company, the Authority has agreed (1) to purchase a minimum of 3,000,000 gallons of water per month from Alligator (unless Alligator is unable to deliver such amount) and (2) that the maximum instantaneous demand is limited to 500 gallons per minute. The rates paid for water purchased are subject to review and modification each year on or about the first day of May and the Authority now pays Alligator \$2.23 per 1,000 gallons of water. The contract with Alligator expires on August 16, 2050. During Fiscal Year 2021, the cost to the Authority for water purchased from Alligator under the terms of the contract was \$80,280. Alligator draws all of its water from the Middendorf aquifer.

Prestage Farms. The Authority has entered into a Water Purchase and Sale Agreement dated September 2, 2021 (the “*Water Purchase Agreement*”) with Prestage Farms of South Carolina, Limited Liability Company (“*Prestage*”). Prestage has announced plans to construct a poultry processing facility (the “*Plant*”) in Kershaw County, South Carolina at a site that is within the Authority’s service area. Pursuant to the Water Purchase Agreement, the Authority has agreed to construct infrastructure (generally consisting of the 2021B/C Project) in order to provide potable water supplies for the Plant. Prestage has agreed to purchase water at an initial rate of \$3.20 per thousand gallons, subject to (a) a one-time adjustment to account for increases in the ultimate cost of the 2021B/C Project or the financing costs thereof, (b) subsequent annual adjustments based upon 20% of change in the consumer price index (reflecting the variable portion of the rate to Prestage), and (c) certain other potential adjustments for increased investments in assets to serve Prestage due to changes in regulatory requirements or changes in usage by Prestage. Prestage has agreed to a minimum usage or “take-or-pay arrangement” requiring it to use or pay for at least 16,916,667 gallons of water per monthly billing cycle. The Authority will bill Prestage monthly for its minimum usage and annually for any net usage during the preceding 12 months that exceeds the monthly minimum usage annualized over 12 months. The Water Purchase Agreement has a term of 13 years, commencing on the date that service is made available to the Plant using the principal assets to be constructed under the 2021B/C Project. The Water Purchase Agreement is subject to automatic renewal for subsequent three-year terms unless either party chooses to opt out at the end of any term. Prestage has further agreed to exclusively use water provided by the Authority at the Plant site for 35 years. The 35-year service commitment survives termination of the Water Purchase Agreement. The Water Purchase Agreement expires before any of the Series 2021A Bonds or Series 2021C Bonds mature.

Customers

The following table shows the System’s number of customers for the Fiscal Years indicated.

<u>Fiscal Year</u>	<u>Number of Customers</u>	<u>Increase/Decrease over Previous Year</u>	<u>Percentage of Decrease/Increase (%)</u>
2017	9,970	67	0.67%
2018	10,027	36	0.36
2019	10,228	57	0.57
2020	10,258	201	1.97
2021	10,440	182	1.78

Source: For Fiscal Years, 2017 through 2020, Annual Reports of the Authority filed on EMMA; for Fiscal Year 2021, estimated number from Authority.

Usage

The table below shows the System’s annual capacity per well site and the annual flow at each site for Fiscal Years 2017—2021. The annual capacity (in gallons) has been calculated by multiplying the gallons per minute (GPM), per the pump specifications for each well, by the maximum allowable run times. See “– System Facilities” above for a discussion of authorized run times. The annual flows are calculated by taking the same pump capacities noted above and multiplying such number by the actual amount of run time at each site. The Authority has purchased flow meters for all sites and once installed, the Authority will be able to determine actual flows as opposed to calculated flows.

<u>Well sites</u>	<u>Capacity (GPM)</u>	<u>Annual Capacity</u>	<u>Annual Flow 2017</u>	<u>Annual Flow 2018</u>	<u>Annual Flow 2019</u>	<u>Annual Flow 2020</u>	<u>Annual Flow 2021</u>
Liberty Hill ¹	110	38,544,000	0	0	0	0	0
Elliott - Kershaw Co.	500	175,200,000	78,200,021	58,989,348	69,771,926	56,142,908	53,776,287
Singleton Road ¹	120	42,048,000	0	0	0	0	0
Arrowhead Road ¹	110	38,544,000	0	0	0	0	0
Friendship Road ²	225	78,840,000	0	0	0	0	0
Well #1	225	78,840,000	19,595,328	29,819,789	33,787,102	35,465,263	36,516,075
Threatt	270	94,608,000	13,183,791	18,411,431	19,367,828	21,810,012	33,844,368
Well #3 ¹	225	78,840,000	0	0	0	0	0
Shepard	390	136,656,000	69,217,842	58,757,743	62,865,733	62,686,721	73,719,958
Joyner ¹	150	52,560,000	0	0	0	0	0
Charlotte Thompson	211	73,934,400	41,858,220	50,493,163	48,224,168	42,638,584	43,572,501
Elliott - Lee County ¹	400	140,160,000	0	0	0	0	0
St. Charles ¹	400	140,160,000	0	0	0	0	0
Baker	330	115,632,000	33,383,678	37,717,385	37,165,009	64,188,441	65,938,431
Cedar Creek	400	140,160,000	51,141,105	58,301,198	29,915,038	41,547,856	46,117,739
Lucknow	250	87,600,000	44,093,799	26,381,223	13,690,725	27,954,966	39,794,792
Spring Hill	380	133,152,000	38,413,251	73,560,485	62,063,704	75,836,005	82,460,078
Hycow Well	170	59,568,000	27,976,770	24,995,321	25,700,010	27,491,182	31,254,536
Cassatt Well	500	175,200,000	81,810,550	95,379,150	90,967,361	89,366,165	93,485,367
Jamestown Well	1000	350,400,000	184,594,000	136,654,000	161,560,752	119,759,153	120,130,091
Total Pumped		2,160,646,400	683,468,355	668,460,236	654,079,356	664,887,256	720,610,223
Purchased Water ³			57,175,842	52,662,232	64,236,706	6,341,771	7,756,737
Total			740,644,197	721,122,468	718,316,062	671,229,027	728,366,960

¹ Emergency/standby well – used only when needed.

² Inactive well.

³ See “– Customers” herein.

Note: Table does not include the Hettie Rickett well that began operations on July 1, 2021 and has a pumping capacity of 1,200 GPM and an annual production capacity of 420,000,000. Additionally, another new well will be constructed as part of the 2021A Project.

Water Sales

The table below shows the System’s total water sales (in gallons) for Fiscal Years 2017 through 2021.

<u>Fiscal Year</u>	<u>Gallons of Water Sold*</u>
2017	524,160,597
2018	549,477,709
2019	542,415,461
2020	548,144,300
2021	522,880,011

* Numbers may not tie out with total water sources in “-Water Sources – Breakout of Water Sources” above due to water loss and other inefficiencies in the System’s infrastructure. See also “FINANCIAL FACTORS–Management’s Discussion and Analysis” herein.

Source: For Fiscal Years, 2017 through 2020, Annual Reports of the Authority filed on EMMA; for Fiscal Year 2021, estimated number from Authority.

Ten Largest Customers

Set forth below is information relating to the ten largest water customers of the System for the Fiscal Year ended June 30, 2021.

<u>Customer Name</u>	<u>Annual Consumption in Gallons</u>	<u>Annual Billing</u>	<u>Percentage of Fiscal Year 2021 Revenues (%)</u>
Granite Hermitage Farms LLC	6,245,400	\$42,014	0.77%
Prestage ¹	5,517,900	37,303	0.68
Kershaw County Schools	1,981,200	30,423	0.56
Pilot Travel Center	2,372,500	17,175	0.32
Hartfield MHP, LLC (mobile home park)	1,347,800	8,954	0.16
New South Inc. (Camden)	804,400	8,137	0.15
Dollar General Store (#18904)	1,222,700	7,916	0.14
Dollar General Store (#20314)	1,058,400	6,886	0.13
Pinedale Residential (Nursing Home)	900,400	6,997	0.13
Pizza Hut	768,200	5,678	0.10
Total	22,218,900	\$171,483	3.15%

¹ Anticipated to increase in future Fiscal Years are a result of planned expansion. See “- Contracts” herein above for a discussion of Prestage and the Plan.

Ratemaking

Authorization. In accordance with the provisions of the Enabling Act and the Bond Resolution, the Authority is empowered to adjust its rates/fees at any time and rates/fees are examined annually in connection with the Authority’s annual budget preparation. The Authority’s rates/fees are not subject to approval by any governmental or regulatory body.

Water Rates. The Authority charges customers according to the size of the meter providing water service to the customer, and it is expected that the Authority will continue this practice. Water user rates consist of a monthly base charge and inclining block usage rates. The monthly base charge is a fixed amount based on each account’s meter size. The block usage rates are volumetric rates per 1,000 gallons of water used, and increase across two blocks based on a threshold usage that varies depending upon the meter size.

The Authority’s Base Charges and volumetric Block Charges as of July 1, 2021 are as follows:

Base Charges

<u>Meter Size</u>	<u>Base Charge</u>
3/4 inch	\$21.17
1 inch	52.93
1 ½ inch	105.85
2 inch	169.36
3 inch	317.55
4 inch	529.25

Block Charges (Per 1,000 Gallons)

<u>Meter Size</u>	Block 1	Block 2
	<u>\$4.98</u>	<u>\$6.47</u>
3/4 inch	0-5,000	Over 5,000
1 inch	0-12,500	Over 12,500
1 ½ inch	0-25,000	Over 25,000
2 inch	0-40,000	Over 40,000
3 inch	0-75,000	Over 75,000
4 inch	0-125,000	Over 125,000
Hydrant Meter	0-5,000	Over 5,000
Bulk*	All Usage Block 1 Rate	

* Application of Bulk rate to be authorized by Chief Executive Officer of the Authority.

Rate Adjustments. In anticipation of the issuance of the Series 2021 Bonds, the Authority determined to analyze its existing rate structure relative to the Series 2021 Bonds. The Financial Consultant (See “FINANCIAL FACTORS—Feasibility Report” herein) recommended that the rate structure be adjusted by applying 2% annual rate adjustments during the forecast period. Applying the recommendation from the Financial Consultant, the Authority adopted a 2% rate increase effective July 1, 2021 and additionally adopted a rate implementation resolution dated October 18, 2021 wherein the Authority authorized the implementation of the revised rate structure, with subsequent 2% adjustment beginning July 1, 2022 and each Fiscal Year thereafter through July 1, 2025.

The revised rates approved by the Rate Resolution are included in the projections found at “FINANCIAL FACTORS – Feasibility Report – Forecasted Net Earnings and Debt Service Coverage” herein. While the rate adjustments have been approved under the terms of the Rate Resolution, due to general public policy limitations, any future rate changes (outside of the current Fiscal Year) should be adopted by the Board each time a new increase is implemented. Additionally, changing conditions, events and circumstances may occur in the future that could affect the level at which new rates are adopted or adjusted.

Impact Fees and Water Tap Fees. On July 21, 2008, the Water Company adopted, and the Authority has sustained and implemented a provision to recover certain capital costs from new water connections through the imposition of impact fees (described and defined as “Connection Fees” in the Bond Resolution). In addition to the payment of impact fees, new accounts connecting to the System are also responsible to pay a tap fee for the costs associated with connecting the customer’s on-site facilities to the Authority’s facilities. Impact fee and tap fee amounts for the most common meter sizes as of July 2021 are show in the table below.

Other Fees and Charges

<u>Meter Size</u>	<u>Tap Fee</u>	<u>Impact Fee</u>	<u>Total</u>
3/4 inch	\$605.00	\$ 561.00	\$ 1,166.00
1 inch	825.00	1,375.00	2,200.00
1 ½ inch	1,265.00	2,717.00	3,982.00
2 inch	3,410.00	4,334.00	7,744.00
3 inch	4,400.00	8,107.00	12,507.00
4 inch	6,050.00	13,497.00	19,547.00

Historical Rates

Until January 2021, the Authority maintained a rate structure that differentiated between customers located in the Lake Wateree area of the Service Area and those located elsewhere in the Service Area (referred to as Lake and Non-Lake customers). As of January 2021, the Authority eliminated this distinction in its rate structure. The following table sets forth the water charges which would have been paid by residential (Non-Lake) customers of the Authority with a 3/4" meter (EMC equal to 1.0) based on a monthly water usage of 6,000 gallons in the years indicated based upon prevailing rates, along with the current water charges that would be paid by all residential customers of the Authority with a 3/4" meter (EMC equal to 1.0) based on the same amount of usage and current rates.

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Residential</u> <u>Monthly</u> <u>Water Charges</u>	<u>Increase (Decrease) in Total</u> <u>Monthly Charge from</u> <u>Previous Fiscal Year (%)</u>
2017	\$42.31	2.60
2018	42.93	1.40
2019	43.86	2.10
2020	45.21	3.00
2021	46.07	2.00

Comparative Charges

The Authority's current residential water rates, tap fee, and impact fee compared with those of comparable providers in the area for average users of 5,000 gallons on a monthly basis:

<u>Utility</u>	<u>Monthly Residential</u> <u>Water Bill</u> ²
The Authority	\$46.07
Alligator	\$60.75
Bethune Rural Water Company	\$39.80
Camden (in city)	\$30.45
Camden (outside)	\$59.54
Darlington County W&S Authority	\$29.32
City of Hartsville	\$30.13
Lugoff-Elgin Water Authority	\$41.05

¹ Fee paid monthly per account.

² As of August 1, 2021.

Source: Operating Forecast.

Charges and Collections

The Authority bills on a monthly basis for water service. Payment is due within 20 days from the billing date, after which date a 10% penalty is applied, but not to exceed \$10.00. If the bill is not paid by the 20th day of the second month, water service is discontinued. To restore service, the customer must pay all due amounts in full and pay a reconnection fee of \$60.00 (or a reconnection fee of \$105.00 if the account has been disconnected for nonpayment within the previous 12 months). The Water Company collected 98% of its total billings during the past five years. The Authority's policy is to write off, as uncollectible, overdue accounts which are more than 3 months old. Upon application for service, the Authority requires a security deposit ranging from \$45.00 to \$440.00 depending on the type of customer (residential or commercial) and the size of the connection being requested.

The Set-Off Debt Collection Act of 1988, as amended in 1992, which is codified at Title 12, Chapter 56 of the South Carolina Code, allows the South Carolina Department of Revenue ("DOR") to collect any delinquent accounts or debts owed to certain public bodies, including political subdivisions like the Authority, by setting off refunds DOR owes the debtor.

Regulatory Status

The Authority is required to obtain permits from DHEC prior to undertaking capital improvements or additions to the System. The Authority is required to have an operating permit (renewed annually) from DHEC. The Authority regularly conducts testing at its wellheads and throughout its distribution system for biological and other contaminants. According to the Consulting Engineer, the Authority is currently in compliance with all permit requirements of DHEC.

Plans for water lines to be installed along state highways and road rights of way will be submitted by the Consulting Engineer to the South Carolina Department of Transportation for approval.

Under the South Carolina Drought Response Act, codified at Title 49, Chapter 23 of the South Carolina Code, the State confers certain enforcement powers on the Authority (as specified in the Drought Response Report as previously adopted by the Water Company (the "*Drought Document*")). The Drought Document was approved by the South Carolina Department of Natural Resources in May 2003, and empowers the Authority, at its discretion, to determine drought conditions, and to manage and control customer water usage during various levels of drought, and to impose mandatory restrictions, ration water, terminate service and mobilize all law enforcement agencies, as necessary, to enforce violations of its restrictions.

The Authority is in full compliance with the Federal Safe Drinking Water Act (enacted in 1974, as amended in 1986 and 1996). The Authority currently meets all established limits for drinking water quality and more information about quality of the water supplied, including existing contaminants is available in the Bi-Annual Drinking Water Quality Report and a copy of the most recent report (2012) can be made available upon request. It is noted that one of the Authority's wells exceeded the maximum contaminant level for one regularly monitored contaminant during testing in 2005; at the time, the Water Company was not cited for a violation by any regulatory agency and the well has since been relegated to stand-by status.

Employees, Employee Relations, Pension Plan and Other Benefits

As of July 1, 2021, the Authority had 24 full-time employees and 1 part-time employee, and was fully staffed. The employees are not unionized and there is currently no movement to unionize known to the Authority. The Chief Executive Officer of the Authority is of the opinion that employee relations are very good.

The Authority offers its employees the option to participate in a 457(b) Deferred Compensation Plan, which is administered by American United Life. All amounts of compensation contributed under the 457(b) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee.

Under a Section 457(b) Plan, the Authority contributes 5% of total compensation to each employees' account. If the employee contributes at least 1% of total compensation to the 457(b) Plan, the Authority will contribute an additional 1%. Therefore, each employee may have as much as 6% of total compensation contributed on their behalf if they contribute 1%.

Contributions are not available to employees until termination of employment, retirement, death, or unforeseeable emergency, with the exceptions of education and purchase or improvement of a primary residence. Employees are eligible to contribute to the 457(b) Plan after six months of service. After one year of service, the Authority will begin the 5% (or 6%) employer contributions to the 457(b) Plan. Employees are vested into the 457(b) Plan as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 2	0%
2, but less than 3	20
3, but less than 4	40
4, but less than 5	60
5, but less than 6	80
6 or more	100

During the period ended June 30, 2021, the Authority contributed a total of \$77,037 to employee retirement benefits. Employee contributions were \$91,380 for the period ended June 30, 2020. There were no significant changes in plan provisions during the current year.

Other than the retirement benefits discussed above, the Authority does not provide any other post-employment benefits (OPEB). Therefore, the Authority has no OPEB liabilities to report under GASB Statement No. 45.

Insurance

The Authority is exposed to various risks of loss related to: torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for property and casualty insurance. There were no significant reductions in coverage in Fiscal Year 2021 and there were no settlements exceeding the insurance coverage of the Water Company in the past three fiscal years. Except as otherwise disclosed in "INVESTMENT CONSIDERATIONS" herein, the Authority is not aware of events that may affect its coverage going forward.

The Constitution and statutes of the State, as interpreted by the General Assembly in promulgating the South Carolina Tort Claims Act (Sections 15-78-10 *et seq.* of the South Carolina Code, the "*Tort Claims Act*"), provide, generally, that it is the public policy of the State that, while governmental entities have historically been exempt from tort liability, total immunity is not in the public interest, nor is unlimited liability. The Tort Claims Act waives sovereign immunity of governmental bodies for tort liability while also providing specific, enumerated exceptions in certain circumstances; generally, a claim of immunity from liability for damages for negligent or intentional tortious actions must be raised by affirmative defense. The Tort Claims Act also imposes limits on the amount of damages which may be received from a governmental entity by one person, or for one accident, and provides that no punitive damages may be recovered. Immunity is provided for a number of discretionary governmental acts, and is not waived for certain other actions.¹ In addition, the Authority may not be able to rely upon the defense of sovereign immunity and may be subject to liability in the event of suits alleging causes of action founded upon various federal laws, such as suits filed pursuant to 42 U.S.C. § 1983, alleging deprivation of federal constitutional or statutory rights of an individual and suits alleging anti-competitive practices and violations of federal antitrust laws by the Authority in the exercise of its delegated powers. Moreover, the Authority may be

¹ Section 15-78-40 of the South Carolina Code. Tort liability of State, agency, political subdivision, or governmental entity, generally. The State, an agency, a political subdivision, and a governmental entity are liable for their torts in the same manner and to the same extent as a private individual under like circumstances, subject to the limitations upon liability and damages, and exemptions from liability and damages, contained herein.

subject to certain state claims under the South Carolina Whistleblower Act, Sections 8-27-10 through -50 of the South Carolina Code, and under any other acts in which an express waiver of sovereign immunity is granted.

Finance Policies; Financial Reporting

The Authority adopted financial policies on March 6, 2014, which dictate the establishment and maintenance of internal control on the following matters: (i) revenue management; (ii) budget adoption; (iii) debt administration (including tax and disclosure compliance); (iv) capital improvement planning; (v) cash and investment management; (vi) contingency planning; and (vii) red flag matters. The finance policies are an integral part of the Authority's capital planning, budgeting, debt management and tax/disclosure compliance practices. The finance policies are subject to adjustment and modification as needed by the Authority and copies may be made available upon request to the Underwriter.

The Authority's staff drafts its monthly financial budget reports and then submits each monthly report to the Board with a copy to its independent certified public accountants for review. The Chief Executive Officer prepares monthly financial statements, and they are submitted to the Board and the accountants. At the end of each Fiscal Year, the public accountants perform an audit in conformity with accounting principles generally accepted in the United States of America as required by Section 6-11-1650 of the South Carolina Code. The financial statements of the System for the Fiscal Year ended June 30, 2020 were audited by Sheheen Hancock & Godwin, LLP, Camden, South Carolina as further described in "MISCELLANEOUS – Independent Certified Public Accountants" herein and APPENDIX C attached hereto.

Budgeting Procedure

The Authority's annual budget is drafted by the Chief Executive Officer. The draft budget is then presented to the Board for final approval prior to the end of each Fiscal Year.

INVESTMENT CONSIDERATIONS

The following section is intended only as a summary of certain pertinent risk factors relating to an investment in the Series 2021 Bonds. This summary is not intended to be an exclusive summary of factors to be considered in connection with making an investment in the Series 2021 Bonds. *In order for potential investors to identify risk factors and make an informed investment decision, they should thoroughly review this entire Official Statement and the appendices hereto and confer with their own tax and financial advisors when considering a purchase of the Series 2021 Bonds.*

General

The Series 2021 Bonds, the Parity Bonds and any Additional Bonds are payable from and secured by a pledge of the Net Revenues. Future revenues and expenses of the System are subject to conditions which may change in the future to an extent that cannot be predicted or determined at this time. No representation can be made, or assurance given, that the System will realize revenues in amounts sufficient to generate Net Revenues of the System sufficient to allow the Authority to make payments of principal, interest and premium, if any, on the Series 2021 Bonds. Future revenues and expenses of the System are subject to a variety of economic and other factors and conditions, including without limitation (a) the inability of the Authority's facilities to meet demands on the System, (b) downturns in local, regional, national and international economies or decreases in economic development at the local or state level, (c) unanticipated increases in operating or administrative expenses, (d) potential closure, or restrictions on the use, of the Authority's facilities due to unforeseen events or occurrences, acts of war, terrorism, epidemic or disease in foreign countries or in domestic locations, (e) potential work stoppages due to labor disputes or other causes, (f) the effects of global economic cycles, and (g) other possible general, national or local political or economic conditions, including inflation, deflation, general cost increases, international trade embargoes, international trade deficits or imbalances, deterioration of international trade relations, calls for a global reserve currency as an alternative to the United States dollar, among other factors. The occurrence of any one or more of the foregoing adverse events, and the other events described below, including events not enumerated in other sections of

this Official Statement, may materially adversely affect the System’s results of operations, cash flow and financial condition.

Global Health Risk

The outbreak of COVID-19, a respiratory illness caused by a new strain of coronavirus, has affected global, national, state and local economic activity. In response to the spread of the virus, national, state and local governments appear to be altering behaviors in a manner that may negatively impact economies. In addition, there has been significant volatility in the U.S. and global stock and bond markets that has attributed to concerns about the spread of COVID-19. In light of concerns regarding the spread of COVID-19, on January 31, 2020, the Secretary of Health and Human Services declared a public health emergency under Section 319 of the Public Health Service Act (42 U.S.C. 247d). On March 13, 2020, the President of the United States found and proclaimed that, beginning, March 1, 2020, the COVID-19 outbreak in the United States constitutes a national emergency. On March 13, 2020, the Governor of the State of South Carolina issued Executive Order 2020-08 to declare a “State of Emergency” in the State, as extended by numerous Executive Orders. The most recent by Executive Order, Executive Order 2021-25 dated May 22, 2021, expired on June 7, 2021 and has not been renewed.

The Authority cannot predict whether consequences arising from the spread of COVID-19 or similar diseases will have a material impact on its financial condition. Overall, the extent of the total impact of COVID-19 on the Authority’s operational and financial performance, and on Gross Revenues, will depend on future developments, including without limitation the duration and spread of the outbreak, travel restrictions, limitations on public gatherings, and restrictions on operations of public and private entities nation-wide and internationally. While the total direct impact on the Authority is currently unknown, the Authority is reviewing its options for addressing certain anticipated effects of the spread of COVID-19 that may impact its operations and finances.

Future outbreaks, epidemics, contagions, pandemics or events outside of the Authority’s control may further affect the System and affect the Gross Revenues of the System.

Climate Change

Planning for climate change in the State and its impact on System operations is an unknown challenge. The State’s climate is exceedingly variable and projections of future conditions range significantly. While projections in the State indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the length, intensity, and frequency of droughts and floods. Such changes may lead to lower supply and higher demand for water. The financial impact of the climate change is not yet known and therefore its future impact on Gross Revenues as remain after payment of all Operation and Maintenance Expenses cannot be quantified reliably at this time.

Risk of Loss, Damage or Destruction

The Authority has covenanted in the Resolutions that it will cause the System to be continuously insured against physical loss or damage. The Authority has further covenanted that the proceeds of such insurance shall be applied to repair or replace the damaged or destroyed property. There can be no assurance that the proceeds of insurance or other sources of funds available to the Authority for purposes of replacing, repairing, rebuilding, or restoring all or any portion of the System facilities that may be damaged or destroyed will be sufficient for such replacement, repair, rebuilding or restoration.

Cyber-Security

Computer networks and data transmission and collection are vital to the efficient operations of the System. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by

the Authority, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the commercial operations, which could materially adversely affect the operations of the System. The Authority utilizes specialized third parties to maintain the servers and software of the Authority and to maintain the control systems for the System. The Authority maintains an insurance policy for loss stemming from cyber security related claims.

Other General Factors

The System has been, and may in the future be, affected by several other factors which could impact the financial condition of the System and operations of the Authority. In addition to the factors discussed elsewhere herein, such factors include, among other things:

- Effects of compliance with rapidly changing regulatory and legislative requirements relating to climate, environmental matters, safety and permitting;
- The repeal of certain federal statutes that would have the effect of decreasing federal funding or changing federal tax policy, including the ability to issue tax-exempt obligations; and
- Effects of changes in the economy, population and demand of customers for services delivered by the System.

UNITED STATES BANKRUPTCY CODE

The obligation of the Authority under the Resolutions and the Series 2021 Bonds should be considered with reference to Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. §§ 901, *et seq.*, as amended (the “*Bankruptcy Code*”) and other laws affecting creditors’ rights and public instrumentalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a state that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner but does not limit or impair the power of the state to control a municipality by legislation; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of the creditors of each class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate or otherwise modify indebtedness under its plan varying from the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

TAX MATTERS

Federal Income Tax Treatment of Interest on the Series 2021A Bonds

On the date of issuance of the Series 2021A Bonds, Pope Flynn, LLC, in its capacity as Bond Counsel to the Authority (“*Bond Counsel*”), will render an opinion that, under existing law, assuming continuing compliance with certain covenants made by the Authority to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the “*Code*”), and the applicable regulations promulgated thereunder (the “*Regulations*”), and the accuracy of certain representations, interest on the Series 2021A Bonds (i) is excluded from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax. See “APPENDIX D – Form of Opinion of Bond Counsel” attached hereto.

The opinion of Bond Counsel is based on current statutes, regulations, judicial decisions, rulings, and other published guidance of the Internal Revenue Service (the “IRS”), covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series 2021A Bonds for federal income tax purposes. Bond Counsel’s opinion is based upon existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinion is not a guarantee of a particular result, and is not binding on the IRS or the courts; rather, such opinion represents Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The opinion of Bond Counsel described above is subject to the condition that the Authority comply with all requirements of the Code and the Regulations, including, without limitation, certain limitations on the use, expenditure, and investment of the gross proceeds of the Series 2021A Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Series 2021A Bonds in order for interest thereon to be, or to continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the inclusion of interest on the Series 2021A Bonds in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2021A Bonds. The opinion of Bond Counsel delivered on the date of issuance of the Series 2021A Bonds is conditioned on continuing compliance by the Authority with such requirements, and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Series 2021A Bonds.

Other Federal Income Tax Considerations Affecting the Series 2021A Bonds

Prospective purchasers of the Series 2021A Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel expresses no opinion concerning such collateral income tax consequences, and prospective purchasers of Series 2021A Bonds should consult their tax own advisors as to the applicability thereof.

From time to time, there are legislative proposals in Congress which, if enacted into law, could eliminate or reduce the exclusion of the interest on the Series 2021A Bonds from gross income for federal income tax purposes or which might otherwise adversely affect the benefit or marketability of the Series 2021A Bonds. No prediction can be made as to whether any such provisions will be enacted as proposed or concerning other future legislation which, if passed, might affect the tax treatment of interest on the Series 2021A Bonds. Similarly, future clarifications of the Code by the IRS and court proceedings interpreting the Code could likewise affect the treatment of interest on the Series 2021A Bonds, as well as the benefit or marketability of the Series 2021A Bonds. Prospective purchasers of the Series 2021A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, court proceedings, and IRS actions, as to all of which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2021A Bonds. Bond Counsel’s engagement with respect to the Series 2021A Bonds ends with the issuance of the Series 2021A Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the holders of the Series 2021A Bonds regarding the tax-exempt status of the Series 2021A Bonds in the event of an audit examination by the IRS.

Under current procedures, parties other than the Authority and their appointed counsel, including the holders of the Series 2021A Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is

difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable.

Any action of the IRS, including but not limited to selection of the Series 2021A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2021A Bonds, and may cause the Authority or the holders of the Series 2021A Bonds to incur significant expense, regardless of the ultimate outcome. Under certain circumstances, the Authority may be obligated to disclose the commencement of an audit under the Disclosure Dissemination Agreement (as defined in “CONTINUING DISCLOSURE” hereinbelow).

Federal Income Tax Treatment of Interest on the Series 2021B Bonds and the Series 2021C Bonds

In General. Interest on the Series 2021B Bonds and the Series 2021C Bonds (including any original issue discount accruing thereon, as discussed below) is not excluded from gross income for federal income tax purposes and will be taxable as ordinary income.

Medicare Surtax. Section 1411 of the Code generally imposes a tax of 3.8% on the “net investment income” of certain individuals, trusts, and estates, consisting of certain items of unearned income, offset by certain allowable deductions. The categories of unearned income taken into account for these purposes generally include taxable interest, and would therefore include interest and any original issue discount on the Series 2021B Bonds or the Series 2021C Bonds (but not on the Series 2021A Bonds), as well as any gains from the disposition of Series 2021 Bonds of either Series.

Other Federal Income Tax Considerations Affecting the Series 2021B Bonds and the Series 2021C Bonds

Defeasance. If the Authority deposits moneys or securities in escrow so as to effect a “defeasance” of the Series 2021B Bonds or the Series 2021C Bonds, the defeased Series 2021B Bonds or Series 2021C Bonds may be treated as retired and “reissued” for federal income tax purposes and as involved in a deemed exchange under Section 1001 of the Code. In that event, the holder of a defeased Series 2021B Bonds or Series 2021C Bonds may be required to recognize taxable gain or loss for federal income tax purposes, without any corresponding receipt of money. (A defeasance of Series 2021A Bonds would not give rise to any such deemed taxable exchange.) The Authority is required to provide notice of any defeasance of the Series 2021 Bonds as a reportable event under its Continuing Disclosure Undertaking.

Foreign Investors. The federal income tax treatment of a holder of Series 2021B Bonds or Series 2021C Bonds that is not a “U.S. holder” (as defined below) may differ from that described elsewhere in this summary.

Among other things, a holder of a Series 2021B Bonds or Series 2021C Bonds that is not a U.S. holder (a “foreign investor”) may not be subject to federal income tax on the interest (or original issue discount) paid or accrued on a Series 2021B Bond or a Series 2021C Bond or on any gain from a disposition of the same, provided (i) that the foreign investor is not engaged in a trade or business within the United States, (ii) that the foreign investor complies with certain identification requirements (confirming the foreign status of the investor on IRS Form W-8BEN or other appropriate form), and (iii) in the case of an individual, that the individual is not present in the United States for 183 days or more during the calendar year in question.

A foreign investor that fails to satisfy the identification and other requirement described above may be subject to a 30% withholding tax on payments of interest on the Series 2021B Bonds or the Series 2021C Bonds.

Foreign financial institutions that receive payments of interest on Series 2021B Bonds or Series 2021C Bonds or proceeds from the disposition of such Bonds may be subject to a 30% withholding tax imposed under the Foreign Account Tax Compliance Act (FATCA) if the financial institution has not agreed to certain disclosure and due diligence requirements with respect to accounts owned by U.S. persons. An intergovernmental agreement between the United States and the applicable foreign country may modify these requirements.

In general, a “U.S. holder” for these purposes means a beneficial owner of a Series 2021B Bond or a Series 2021C Bond that is (i) a citizen or resident of the United States, (ii) a corporation, partnership, or other entity created

or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate subject to United States federal income taxation, or (iv) a trust subject to the jurisdiction of a court within the United States and under the control of U.S. persons.

The foregoing is a brief summary of some of the federal income tax considerations that may be relevant to foreign investors in Series 2021B Bonds or Series 2021C Bonds. Foreign investors should consult their own tax advisors regarding the tax consequences of purchasing Series 2021B Bonds or Series 2021C Bonds.

[Original Issue Discount]

[Certain Series 2021 Bonds have been sold at an initial offering price which is less than the principal amount thereof payable at maturity (“Discount Bonds”). The difference between the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) at which a substantial amount of each maturity of Discount Bonds is sold and the principal amount payable at maturity constitutes original issue discount.

If any Series 2021A Bonds are sold as Discount Bonds, Bond Counsel is of the opinion that original issue discount, as it accrues, is excluded from gross income for federal income tax purposes and is subject to the alternative minimum tax to the same extent as is interest on the Series 2021A Bonds. Original issue discount accrues in each taxable year over the term of the Discount Bonds under the “constant yield method” described in Regulations interpreting Section 1272 of the Code, with certain adjustments.

If any Series 2021B Bonds or Series 2021C Bonds are sold as Discount Bonds, any original issue discount will be treated as zero under a *de minimis* rule if the amount of such discount is less than the product of one quarter of one percent of the face amount of the Series 2021B Bond or Series 2021C Bonds times the number of complete years to its maturity. Otherwise, original issue discount will accrue over the term of such Series of Discount Bonds using the “constant yield method” described in the Regulations. As such discount accrues, the owner of such taxable Discount Bond will be required to include such accrued amount in gross income as interest, regardless of the owner’s regular method of accounting. As a result, it is possible that an owner of a taxable Discount Bond could be required to recognize taxable income resulting from original issue discount in an amount that exceeds the actual cash distributions of interest to such owner in a taxable year.

The tax basis of Discount Bonds if held by an original purchaser, can be determined by adding to such owner’s purchase price of such Discount Bonds the original issue discount that has accrued.

Owners of the Discount Bonds should consult their own tax advisers with respect to all matters relating to such discount.]

[Original Issue Premium]

[Certain Series 2021 Bonds have been sold at an initial offering price which is greater than the amount payable at maturity (“Premium Bonds”). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes original issue premium.

For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond.

Bond premium must be amortized by the owner of a Series 2021A Bonds sold as Premium Bonds. The owner of any Series 2021B Bond or Series 2021C Bonds sold as Premium Bonds may elect to amortize bond premium, in which case such premium, as it amortizes, offsets interest on the respective Series 2021B Bond or Series 2021C Bond accruing during the same period.

For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering at the price for that Premium Bond stated on the inside cover of this Official Statement who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

Owners of the Premium Bonds should consult their own tax advisers with respect to all matters relating to such bond premium.]

Reporting and Withholding Requirements

Payments of interest, including payments of tax-exempt interest on the Series 2021A Bonds, are generally subject to IRS Form 1099-INT information-reporting requirements.

An owner of a Series 2021 Bond of either Series may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid on the Series 2021 Bonds if such owner, upon issuance of the Series 2021 Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails properly to report interest, dividends, or other "reportable payments" (as defined in the Code), or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

These requirements do not affect the exclusion of interest on the Series 2021A Bonds from gross income for federal income tax purposes.

State Tax Exemption

Bond Counsel is of the opinion that, under existing law, the Series 2021A Bonds, the Series 2021B Bonds, and the Series 2021C Bonds and the interest thereon are exempt from all taxation by the State, its counties, municipalities, and school districts, except estate, transfer, and certain franchise taxes. Interest paid on the Series 2021 Bonds is currently subject to the tax imposed on banks by Section 12-11-20 of the South Carolina Code, which is enforced by the South Carolina Department of Revenue as a franchise tax.

The opinion of Bond Counsel is limited to the laws of the State and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Series 2021 Bonds or the interest thereon under the laws of any other jurisdiction.

UNDERWRITING

The Series 2021 Bonds are being purchased for reoffering by Stephens Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series 2021A Bonds at an aggregate purchase price of \$ _____ (such amount is equal to the par amount of the Series 2021A Bonds, [plus][less] [net] original issue [premium][discount] of \$ _____, and less an underwriter's discount of \$ _____). The Underwriter has agreed to purchase the Series 2021B Bonds at an aggregate purchase price of \$ _____ (such amount is equal to the par amount of the Series 2021B Bonds, less an underwriter's discount of \$ _____). The Underwriter has agreed to purchase the Series 2021C Bonds at an aggregate purchase price of \$ _____ (such amount is equal to the par amount of the Series 2021C Bonds, less an underwriter's discount of \$ _____).

The initial public offering prices are set forth on the inside front cover page of this Official Statement. The Underwriter may offer and sell the Series 2021 Bonds to certain dealers and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at a price lower than the offering prices stated on the inside front cover page hereof. The offering prices may be changed from time to time by

the Underwriter without prior notice. The Underwriter is obligated to purchase all of the Series 2021 Bonds, if any are purchased, such obligation being subject to certain conditions.

FINANCIAL ADVISOR

First Tryon Advisors has served as financial advisor (the “*Financial Advisor*”) to the Authority with respect to the sale of the Series 2021 Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2021 Bonds is contingent on the issuance and delivery of the Series 2021 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendices thereto.

LITIGATION

Prior to the engagement of the team of professionals associated with the sale of the A and B Series of Parity Bonds issued in 2014 (together, the “Series 2014 Bonds”), the Authority (then doing business as the Water Company) engaged other financial and legal professionals to help it access the public debt market. In early 2009, the Authority executed engagements with an underwriter, a special tax counsel firm and a bond counsel firm. During the pendency of such engagements, the underwriter took independent action that the Water Company determined would preclude the underwriter from fulfilling its role for the Authority. Additionally, the Authority otherwise became unsatisfied with the services performed by the former professionals. As a result, on October 7, 2013, the Water Company, acting through its governing body, adopted a resolution terminating the engagements of the aforementioned financial and legal services firms. Subsequent to the termination, the former underwriter informed the Authority of its dissatisfaction in being terminated and on October 6, 2016, the former underwriter filed a suit against the Authority, as the successor in interest to the Water Company. The former underwriter asserted breach of contract and unjust enrichment causes of action alleging the Authority did not have a basis for terminating its engagement and that, even if it did, the Authority had benefited from the former underwriter’s advisory and underwriting services during its engagement entitling it to compensation. The Authority counterclaimed for damages against the former underwriter, asserting, *inter alia*, claims of breach of fiduciary duty and misrepresentation. The former underwriter is currently in default of the Authority’s counterclaims. In addition, judgment in favor of the Authority has been entered on the breach of contract cause of action, a decision which was not appealed and arguably cannot now be appealed. The unjust enrichment claim remains active and pending.

The Authority is vigorously defending the remaining claim of the lawsuit; however, it continues to explore the possibility of resolution of the suit upon appropriate terms and conditions. No recent or substantive communications in that regard have occurred in calendar year 2021. The Authority is not able to predict the outcome of the suit; however, any adverse judgment by the trier of fact might be accompanied by an award of damages to the former underwriter in the form of a fee intended to represent the value of the benefit of the services conferred on the Authority, off-set by any damages awarded the Authority on its counterclaims. There are no claims asserted which would allow for an award of punitive or exemplary damages.

Except as described above no other litigation is currently pending or, to the knowledge of the Authority, threatened in any court to restrain or enjoin the issuance or delivery of any of the Series 2021 Bonds, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Series 2021 Bonds, or in any way contesting or affecting the validity of the Series 2021 Bonds or the Bond Resolution or the Series Resolution or contesting the power or authority of the Authority to issue the Series 2021 Bonds.

RATINGS

Moody’s Investors Service, Inc. (“*Moody’s*”) has issued an underlying municipal bond rating of “A3” (positive outlook) to the Series 2021 Bonds. Such rating reflects only the view of Moody’s and any desired explanation of the significance of the rating should be obtained only from Moody’s at the following address: Moody’s Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. There is no assurance that the rating will remain in effect for any given period of time or that such rating may not be

lowered or withdrawn entirely by Moody's, if in its judgment circumstances so warrant. Any such downgrade in or withdrawal of such rating may have an adverse effect on the market price of the Series 2021 Bonds.

S&P Global Ratings ("S&P") has issued an underlying municipal bond rating of "A+" (stable outlook) to the Series 2021 Bonds. Such rating reflects only the view of S&P and any desired explanation of the significance of the rating should be obtained only from S&P at the following address: S&P Global Ratings, 55 Water Street, New York, New York 10041. There is no assurance that the rating will remain in effect for any given period of time or that such rating may not be lowered or withdrawn entirely by S&P, if in its judgment circumstances so warrant. Any such downgrade in or withdrawal of such rating may have an adverse effect on the market price of the Series 2021 Bonds.

LEGAL MATTERS

All of the legal proceedings in connection with the authorization and issuance of the Series 2021 Bonds are subject to the approval of Pope Flynn, LLC, Columbia, South Carolina, Bond Counsel. Pope Flynn, LLC is also serving as Disclosure Counsel to the Authority in connection with the offer and sale of the Series 2021 Bonds. Certain matters will be passed upon for the Authority by Pope Flynn, LLC, Columbia, South Carolina.

The various legal opinions to be delivered concurrently with the delivery of the Series 2021 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE

The Authority has covenanted, pursuant to Section 11-1-85 of the South Carolina Code, to file with a central repository for availability in the secondary bond market when requested, an annual independent audit within 30 days of its receipt and event specific information within 30 days of an event adversely affecting more than 5% of Authority's revenues.

In order to provide certain continuing disclosure with respect to the Series 2021 Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("*Rule 15c2-12*"), the Authority has entered into a Disclosure Dissemination Agent Agreement ("*Disclosure Dissemination Agreement*") for the benefit of the holders of the Series 2021 Bonds with Digital Assurance Certification, L.L.C. ("*DAC*"), under which the Authority has designated DAC as Disclosure Dissemination Agent. The form of Disclosure Dissemination Agreement is attached hereto as APPENDIX E. In the event of a failure of the Authority to comply with the provisions of the Disclosure Dissemination Agent Agreement, the sole remedy of any bondholder or beneficial owners shall be an action to compel performance by the Authority.

The Authority maintains a continuing disclosure obligation with respect to its outstanding Series 2014 Bonds. A review of continuing disclosure compliance related to the Series 2014 Bonds in August 2021 determined that the Authority's annual reports for the years 2016-2020, inclusive, were incomplete in several respects. A supplemental filing entitled "2016-2020 Operating Data – Supplemental" providing such omitted information was filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("*EMMA*") system on August 6, 2021 and will be available through the EMMA system at www.emma.msrb.org (not intended as an active hyperlink).

MISCELLANEOUS

The references herein to the Resolutions, the Act, the Enabling Legislation and the Enabling Act are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and reference is made to such documents for full and complete statements of their provisions. Copies of these documents are available from the offices of the Authority, 2638 Old Stagecoach Road, Cassatt, South Carolina 29032 (803-432-8235), Attention: Donna M. Tuttle, Chief Executive Officer.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution of this Official Statement and its delivery have been duly authorized by the Authority.

KERSHAW COUNTY AND LEE COUNTY
REGIONAL WATER AUTHORITY

By: _____
Chief Executive Officer

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC DATA FOR KERSHAW AND LEE COUNTIES

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This Appendix A contains demographic information on Kershaw County, South Carolina (“*Kershaw*”) and Lee County, South Carolina (“*Lee*” and together with Kershaw, the “*Counties*”). The full faith, credit and taxing powers of the Counties **are not pledged** to secure the Series 2021 Bonds.

INFORMATION REGARDING KERSHAW COUNTY, SOUTH CAROLINA

Location

Kershaw is located in the north central part of the State, with a land area of 743 square miles. It is bordered on the north by Lancaster County, on the east by Chesterfield County and Lee, on the south by Sumter and Richland Counties, and on the west by Fairfield County.

Commerce and Industry

In July 2021, Prestage Farms of South Carolina, LLC, a division of Prestage Farms, a family-led producer of quality pork and poultry products, announced plans to construct a new processing Facility in Kershaw. The \$150 million investment will create 292 new jobs.

In June 2021, Sterlite Technologies Limited (STL), a leading digital network integration company, announced plans to establish operations in Kershaw. The new facility will increase the company’s capacity to meet the growing demand for high-speed internet connectivity, broadband access and 5G technologies. The \$23 million investment will create 120 new jobs over the next few years.

In June 2021, Denkai America, Inc., a subsidiary of Nippon Denkai, Ltd. and a leading manufacturer of high-quality electrodeposited copper foils – key components in lithium-ion batteries which power electric vehicles— announced plans to expand operations in Kershaw. The \$14 million investment will create 10 new jobs.

In December 2019, Custom Profile, a manufacturer and supplier of plastic profile extrusions, announced plans to establish operations in Kershaw. The company’s \$1.7 million investment is projected to create 70 new jobs. The new facility will manufacture plastic profile extrusions for the furniture, appliance and marine industries.

In September 2019, GE Appliances, a Haier company, announced the creation of a new Manufacturing Center of Excellence for production of water heaters in its Kershaw County plant. GE Appliances is renovating and retooling the existing plant, which currently produces refrigerators. The company is investing \$60 million in the project.

In May 2018, Canfor Southern Pine, a leading integrated forest products company, announced plans to upgrade its existing sawmill in Kershaw. Canfor currently employs approximately 650 people throughout South Carolina. The company is projected to invest \$40 million in the project.

Capital Investment

The following table sets forth the total capital investment for new and expanded industry within Kershaw for the last five years for which information is available. Capital investments are only included if the South Carolina Department of Commerce played a significant recruiting role.

<u>Year</u>	<u>New Investment</u>	<u>New Employment</u>
2017	-	-
2018	\$40,000,000	-
2019	61,700,000	70
2020	-	-
2021	187,000,000	422

Note: 2021 data as of October 2021

Source: South Carolina Department of Commerce

Labor Force

The labor force participation rates of residents of Kershaw (regardless of place of employment) for the five calendar years shown are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Civilian Labor Force	29,157	29,088	28,753	29,339	29,490
Employed	27,668	27,803	27,745	28,507	27,924
Unemployed	1,489	1,285	1,008	832	1,566
Unemployment Rate	5.1%	4.4%	3.5%	2.8%	5.3%

Source: U.S. Department of Labor, Bureau of Labor Statistics

Principal Employers

The major industrial employers located in the County as well as their products/services are shown below:

<u>Employer</u>	<u>Product/Service</u>
INVISTA	Textiles, nylons and polymers
Target Corp.	Distribution center
Hengst	Automotive air filters
Cardinal Health (formerly Medtronic)	Surgical gauze
Mancor Carolina	Production machine shop
Canfor Southern Pine	Treated lumber
Weylchem US Inc.	Organic chemicals
TB Kawashima	Automotive textiles
Prestage Farms	Turkey feed mill
Suominen	Non-wovens; wipes

Source: Kershaw County Economic Development.

Retail Sales

Retail sales in Kershaw for calendar years 2016 through 2020 are listed below.

<u>Calendar Year</u>	<u>Total Retail Sales</u>
2016	\$1,432,488,390
2017	1,433,284,143
2018	1,527,870,341
2019	1,380,543,137
2020	1,313,073,499

Source: South Carolina Department of Revenue

Construction Activity

The following table shows the approximate number of building permits issued in Kershaw and the estimated cost of construction in each of the last five calendar years for which information is available.

<u>Year</u>	<u>Permits</u>	<u>Residential</u>	<u>Commercial/Industrial*</u>		<u>Permits</u>	<u>Total</u>
		<u>Construction Cost</u>	<u>Permits</u>	<u>Construction Cost</u>		<u>Construction Cost</u>
2016	261	\$37,472,362	1	\$ 505,226	265	\$37,977,588
2017	223	33,170,581	3	2,893,326	226	36,063,907
2018	263	39,212,422	11	3,722,018	274	42,934,440
2019	277	40,053,591	11	25,627,314	288	65,680,905
2020	384	61,224,110	5	2,278,288	389	63,502,398

Excluding permits for additions, repairs and demolitions.

Source: County Building Department

Per Capital Personal Income

The per capita personal income in Kershaw, the State and the United States for each of the last five years for which information is available is below:

<u>Year</u>	<u>Kershaw</u>	<u>State</u>	<u>United States</u>
2015	\$37,920	\$39,446	\$49,019
2016	38,579	40,569	50,015
2017	39,990	42,227	52,118
2018	41,509	43,912	54,606
2019	42,929	45,438	56,490

Source: U.S. Department of Commerce; Bureau of Economic Analysis

Median Family Income

The median family income in Kershaw, the State and the United States for each of the last five fiscal years for which information is available is below:

<u>Fiscal Year</u>	<u>Kershaw</u>	<u>State</u>	<u>United States</u>
2017	\$53,800	\$58,300	\$55,200
2018	57,100	62,500	58,400
2019	59,400	65,400	60,600
2020	64,400	66,300	62,300
2021	59,300	68,700	63,400

Source: U.S. Department of Urban Development, Economic and Market Analysis

Unemployment Rate

The average unemployment rates in Kershaw, the State and the United States for each of the last five years are shown below:

<u>Year</u>	<u>Kershaw</u>	<u>State</u>	<u>United States</u>
2016	5.1%	4.9%	4.9%
2017	4.4	4.2	4.4
2018	3.5	3.4	3.9
2019	2.8	2.8	3.7
2020	5.3	6.2	8.1

Source: U.S. Department of Labor, Bureau of Labor Statistics

The average unemployment rate in Kershaw for each of the last 12 months for which data is available is shown below:

<u>Month</u>	<u>Unemployment Rate</u>
September 2020	4.3%
October 2020	4.4
November 2020	4.9
December 2020	5.4
January 2021	4.9
February 2021	4.8
March 2021	4.4
April 2021	3.9
May 2021	3.3
June 2021	4.2
July 2021	4.1
August 2021	4.1*

* Preliminary

Source: U.S. Department of Labor, Bureau of Labor Statistics

Population Growth

The following table shows the population increases in Kershaw, State and the United States, for the last four decades for which census figures are available”

<u>Year</u>	<u>Kershaw</u>		<u>South Carolina</u>		<u>United States</u>	
	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>	<u>Population</u>	<u>% change</u>
1990	43,599	12%	3,486,703	12%	248,709,873	10%
2000	52,647	21	4,012,012	15	281,421,960	13
2010	61,697	17	4,625,364	15	308,745,538	10
2020	65,403	6	5,118,425	11	331,449,281	7

Source: U.S. Department of Commerce, Bureau of Census

The following tables shows the populations (based on 2000, 2010, and 2020 Census data) of all incorporated municipalities located within Kershaw:

<u>Municipality</u>	<u>2000 Census</u>	<u>2010 Census</u>	<u>2020 Census</u>
City of Camden	6,682	6,838	7,788
Town of Elgin	806	1,311	1,599
Town of Bethune	352	334	356

Source: U.S. Department of Commerce, Bureau of the Census

Transportation

Interstate 20 serves Kershaw with 4 interchanges. Within a short distance, I-20 connects with Interstate 95 at Florence and Interstates 77 and 26 in Columbia. In addition, there are 3 US highways and 9 South Carolina highways. The community is served by the Seaboard System Railroad which also provides access to Amtrak. Kershaw has 39 freight carriers and two trucking terminal facilities.

Private aircraft utilize the Kershaw County Airport at Woodward Field which has a maximum runway length of 5,000 feet. Charter services, hanger storage, flight schooling, Jet A and 100LL aircraft fuel, and aircraft repairs are among the services offered. The Columbia Metropolitan Airport, 38 miles away, offers regularly scheduled commercial airline service on Delta, Silver Airways, United, and American Airlines. In addition, Charlotte International Airport is conveniently located 72 miles north of Kershaw with service from all major airlines.

Healthcare Services

KershawHealth (formerly Kershaw County Medical Center), located in the City of Camden, encompasses a 121-bed acute care facility and a 96-bed long-term care/rehab facility. KershawHealth offers a broad range of services, including, but not limited to, cardiovascular, diabetes management, gastroenterology, oncology, hospice, pulmonology, sleep diagnostics, and urology. The main office of KershawHealth completed a \$14.5 million, 71,000 square foot expansion in 2008. The expansion allowed KershawHealth to increase its intensive care unit, surgical services, health information management, cardiovascular diagnostics, and cardiac rehabilitation, and to offer 24 new private rooms for patients. the expansion also resulted in 40 new jobs. KershawHealth also has primary healthcare offices in the Town of Elgin and the unincorporated area of Lugoff.

On March 5, 2020, it was announced that Prisma Health would acquire KershawHealth from the Capella-MUSC Health Network; however, the deal was called off and the agreement for acquisition was terminated in April 2021.

Higher Education

Central Carolina Technical College (“CCTC”), is a two-year, public institution of higher education, with a campus located in the City of Camden, confers associate degrees, diplomas, and certificates in various programs, including: business, health sciences, public service, industrial and engineering technology, legal services, and the arts and sciences. The Fall 2019 enrollment for CCTC, at all campuses, was 3,361.

Recreation

Goodale offers shoreline fishing and paddling on a Civil War-era mill pond that is a 149-acre lake. Picnic shelters, canoe rentals, a three-mile cypress canoe trail, picnicking, and hiking are also available. The County’s Parks & Recreation Department offers various programs through the Aquatic Center, including swimming lessons, water aerobics, and lifeguard training classes; youth and adult sports, including baseball, football, soccer, and others throughout the County’s municipal parks and facilities, as well as line dance, senior fitness, tai-chi, and more.

Equine Facilities

South Carolina Equine Park (“*Equine Park*”), a 40-acre center specifically designed for a full range of equine activities, breeds and users such as hunter/jumpers, quarter horses, paint horses, dressage, ranch horse shows, breed shows, and youth events is located in Kershaw. The Equine Park includes two fenced show rings with new, state-of-the-art footing, covered ring with all-purpose footing, cattle areas, warm-up areas, 290 refurbished stalls, a vendor area, restaurant/courtyard and RV site. Kershaw purchased the Equine Park through grants and was leased for operation to the South Carolina Equine Promotion Foundation (“*SCEPF*”). The Kershaw-based SCEPF was formed in late 2007 to promote equine-related sports and education, and will continue its fundraising efforts for major upgrades. As funding permits, SCEPF plans to expand this first phase of the Equine Park by acquiring additional land, expanding the stabling, and building an enclosed, all-weather show pavilion. The pavilion could host world-class equine events as well as a variety of non-equine events.

Financial Institutions

According to the Federal Deposit Insurance Corporation, as of June 30, 2021, Kershaw had 13 branches of commercial banks and/or savings institutions, with total deposits in all financial institutions in Kershaw of \$934,728,000.

INFORMATION REGARDING LEE COUNTY, SOUTH CAROLINA

Location

Lee is located in the Santee Lynches region of the State, with a land area of 410 square miles. The county seat, which is the City of Bishopville, is located approximately 50 miles from Columbia, South Carolina, the capital of the State. Lee is bordered on the northeast by Darlington County, on the east by Florence County on the south by Sumter County, and on the northwest by Kershaw. Lee County’s strategic location on I-20 and accessibility to I-95 (27 miles to the east), I-26 and I-77 (45 miles to the west) makes the area an attractive location for industry. This excellent interstate location coupled with access to Ports of Charleston and Wilmington (only two hours away) and a regional airport 35 minutes away presents an ideal place for new businesses to begin and for established businesses and industries to grow.

Commerce and Industry

In August 2021, Southern Current, a leading developer in the residential, commercial, and utility-scale solar markets, announced plans to expand operations in Lee. The company is investing \$38.8 million into the expansion.

In June 2018, Agruss, Inc., a leading manufacturer of agricultural trusses for the poultry and livestock industries, announced plans to expand its Lee operations. The company's \$2.8 million investment is projected to create 25 new jobs. To meet growing demand, Agruss, Inc. will be building another 100-foot production line featuring additional production equipment.

In June 2018, Carolina Metal Finishing, a leader in powder coating and custom metal finishing, announced plans to expand existing operations in Lee. The \$1 million investment is projected to create approximately 20 new jobs.

In February 2018, Southern Current, a leading developer in the residential, commercial and utility-scale solar markets, announced plans to expand its solar farm portfolio with new facilities in Lee. The company is investing in a total of five individual projects bringing a collective capital investment of \$100 million.

In April 2017, South Atlantic Canners, Inc., a Coca-Cola production cooperative that includes several Coca-Cola bottlers, announced plans to expand operations in Lee. The company is expecting to invest \$13 million and add nine additional jobs. The company produces more than 300 brands of beverages and distributes its products across 16 states.

Capital Investment

The following table sets forth the total capital investment for new and expanded industry within Lee for the last five years for which information is available. Capital investments are only included if the South Carolina Department of Commerce played a significant recruiting role.

<u>Year</u>	<u>New Investment</u>	<u>New Employment</u>
2016	-	-
2017	\$ 13,000,000	9
2018	103,800,000	45
2019	-	-
2020	-	-
2021	38,800,000	0

Note: 2021 data as of October 2021

Source: South Carolina Department of Commerce

Population Growth

The following table shows population information for Lee for the last four decades for which census figures are available.

<u>Year</u>	<u>County Population</u>
1990	18,437
2000	20,119
2010	19,220
2020	16,531

Source: U.S. Census Bureau

Labor Force

The labor force participation rates of residents of Lee (regardless of place of employment) for the five calendar years shown are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Civilian Labor Force	6,417	6,360	6,535	6,555	6,812
Employed	5,972	5,987	6,239	6,304	6,293
Unemployed	445	373	296	251	519
Unemployment Rate	6.9%	5.9%	4.5%	3.8%	7.6%

Source: U.S. Department of Labor, Bureau of Labor Statistics

Major Industrial Employers

The major industrial employers located within Lee, their products and their approximate number of employees are listed below:

<u>Name</u>	<u>Product</u>	<u>Approximate Number Of Employees</u>
Crown Health Care Laundry	Provider of linen and laundry processing	205
Coca-Cola Bottling Co.	Produces Coca-Cola beverage	165
Ardagh Group	Bottling plant for Coca Cola	100
Carolina Metal Finishing	Protective coating manufacturers	35
Martech Research	Natural Food Additives-R&D	55
BoSmith Furniture Co.	Furniture warehouse/Distributor	10

Source: TheLINK Economic Development Alliance

Retail Sales

Retail sales in Lee for calendar years 2016 through 2020 are listed below.

<u>Calendar Year</u>	<u>Total Retail Sales</u>
2016	\$383,509,687
2017	475,459,826
2018	533,532,642
2019	609,486,718
2020	571,788,565

Source: South Carolina Department of Revenue

Construction Activity

The following table shows the approximate number of building permits issued in Lee and the estimated cost of construction in each of the last five years for which information is available.

<u>Year</u>	<u>Residential</u>		<u>Commercial/Industrial</u>		<u>Total</u>	
	<u>Permits</u>	<u>Construction Cost</u>	<u>Permits</u>	<u>Construction Cost</u>	<u>Permits</u>	<u>Construction Cost</u>
2016	8	\$1,092,775	1	\$ 225,000.00	9	\$ 1,317,775
2017	10	1,850,166	0	0	10	1,850,166
2018	12	1,553,005	4	8,805,000.0	16	10,358,005
2019	8	2,379,869	1	930,000.00	9	3,309,869
2020	11	1,475,545	2	2,141,034.0	13	3,616,579

Source: County Building Department

Per Capita Personal Income

The per capita personal income in Lee, State and the United States for each of the last five years for which information is available is below:

<u>Year</u>	<u>Lee</u>	<u>State</u>	<u>United States</u>
2015	\$27,797	\$39,446	\$49,019
2016	29,664	40,569	50,015
2017	30,354	42,227	52,118
2018	31,696	43,912	54,606
2019	33,605	45,438	56,490

Source: U.S. Department of Commerce; Bureau of Economic Analysis

Median Family Income

The median family income in Lee, State and the United States for each of the last five fiscal years for which information is available is below:

<u>Fiscal Year</u>	<u>Lee</u>	<u>State</u>	<u>United States</u>
2017	\$39,800	\$58,300	\$55,200
2018	41,100	62,500	58,400
2019	41,200	65,400	60,600
2020	43,600	66,300	62,300
2021	43,700	68,700	63,400

Source: U.S. Department of Urban Development, Economic and Market Analysis

Unemployment Rate

The average unemployment rates in Lee, the State and the United States for each of the last five years are shown below:

<u>Year</u>	<u>Lee</u>	<u>State</u>	<u>United States</u>
2016	6.9%	4.9%	4.9%
2017	5.9	4.2	4.4
2018	4.5	3.4	3.9
2019	3.8	2.8	3.7
2020	7.6	6.2	8.1

Source: U.S. Department of Labor, Bureau of Labor Statistics

The average unemployment rate in Lee for each of the last 12 months for which data is available is shown below:

<u>Month</u>	<u>Unemployment Rate</u>
September 2020	6.8%
October 2020	6.6
November 2020	7.1
December 2020	7.6
January 2021	7.1
February 2021	6.7
March 2021	6.5
April 2021	6.1
May 2021	4.8
June 2021	6.0
July 2021	5.9
August 2021	6.0*

* Preliminary

Source: U.S. Department of Labor, Bureau of Labor Statistics

Transportation

Interstate 20 serves Lee with 4 interchanges. Within a short distance, I-20 connects with Interstate 95 at Florence and Interstates 77 and 26 in Columbia. In addition, there are 3 US highways and 6 South Carolina highways. The Lee County rail system is served by the CSX Transportation. Existing rail passenger service is provided by Amtrak. Lee County has 6 airfreight carriers.

The Columbia Metropolitan Airport, 64 miles from Bishopville, offers regularly scheduled commercial airline service on Delta, Silver Airways, United, and American Airlines. In addition, Florence Regional Airport is conveniently located approximately 29 miles east of Bishopville with two runways (6,499 ft. and 5,999 ft.) and the Lee County Municipal Airport, Butters Field, is located 2 miles from Bishopville.

Ports

The Port of Charleston, the deepest port in the South Atlantic, offers a decided advantage for companies with intermodal logistics and transportation needs. The Port of Charleston is 130 miles from Lee and can be accessed through the state's extensive interstate system, or rail system.

Healthcare Services

Healthcare in Lee is provided by CareSouth with a facility located in Bishopville that consists of 805 beds. Emergency medical services are provided by Lee County EMS, and Bishopville is served by ten doctors and two dentists. Other nearby healthcare providers include Tuomey Healthcare System, the Carolina Pines Regional Medical Center in Hartsville, the Kershaw County Medical Center in Camden, and the McLeod Regional Medical Center and the Carolinas Hospital System in Florence.

Higher Education

There are six institutions of higher education located within a 30-mile radius of Lee, including Central Carolina Technical College, Morris College, Coker College, Francis Marion University, Florence-Darlington Technical College, and USC Sumter.

The Central Carolina Technical College is currently operating one location in Lee. The Lee County Downtown campus is located in downtown Bishopville in the Lee County Library building. Central Carolina Tech offers a full line of student services and convenient credit and continuing education courses for residents of Lee.

Recreation

Lee State Park was built in 1935 to provide riverside recreational opportunities for the residents of Lee. Kayaking and canoeing trips can be taken through the park's hardwood forest floodplain. Fishing may also be enjoyed along the banks of the river.

In nearby Darlington, the Darlington Raceway brings crowds from all over the country and is commonly known as a "NASCAR Tradition."

Lake Ashwood is a 75-acre lake providing largemouth bass, bluegill, shell-cracker and catfish fishing. Located off Highway 15 in Lee, Lake Ashwood offers a boat ramp, fishing pier, picnic area and is handicapped accessible.

Financial Institutions

According to the Federal Deposit Insurance Corporation, as of June 30, 2021, Lee had 4 branches of commercial banks and/or savings institutions, with total deposits in all financial institutions in Lee of \$173,170,000.

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APPENDIX B

**BOND RESOLUTION
AND 2021 SERIES RESOLUTION**

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and is for convenience of reference only.)

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ADOPTED MARCH 6, 2014
(MASTER BOND RESOLUTION)

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BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY, SOUTH CAROLINA IN A MEETING DULY ASSEMBLED:

ARTICLE I - FINDINGS OF FACT

Section 1.01 Recitals and Statement of Purpose.

Incident to the adoption of this resolution (this "Master Bond Resolution"), and the issuance of the bonds provided for herein, the Board of Directors (the "Board"), the governing body of the Kershaw County and Lee County Regional Water Authority, South Carolina (the "Authority") finds, as a fact, that each of the statements hereinafter set forth is in all respects true and correct. Terms used in this Section 1.01 and not otherwise defined shall have the meanings ascribed thereto in Section 2.02 herein.

(A) The Authority was formerly known as the Kershaw County and Lee County Regional Water Company, Inc. (d/b/a Cassatt Water Company) (the "Water Company").

(B) The Water Company was incorporated on November 18, 1969 as not-for-profit corporation, organized and existing under the laws of the State, specifically Act No. 1030 of 1964, now codified as Title 33, Chapter 36 of the Code of Laws of South Carolina, 1976, as amended.

(C) Pursuant to the provisions of Act No. 168 of 2012, now codified as Title 33, Chapter 36, Article 8 of the Code of Laws of South Carolina, 1976, as amended, the Water Company converted from a not-for-profit water company to a public service district.

(D) On March 5, 2014, the South Carolina Secretary of State issued a new charter to the Authority, the terms of which designated the Authority as a public service district, a public body politic and corporate of the State.

(E) By the terms of Section 33-36-1360 of Enabling Legislation, the Authority is authorized to own, operate and maintain the System and borrow money in its own name.

(F) The Authority provides water service to portions of Kershaw County, Lee County, Lancaster County and Sumter County.

(G) Prior to the conversion, the Water Company had undertaken a number of borrowings which are still outstanding and now constitute indebtedness of the Authority. Those outstanding borrowings include the following loans:

- a. the now outstanding \$2,581,273 due and owing on the consolidated loans from the United States Department of Agriculture/Rural Development (the "USDA Loans"); and
- b. the now outstanding \$1,382,083 due and owing on a loan from TD Bank (f/k/a Carolina First Bank) dated March 26, 2008 (the "TD Bank Loan" and

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 Master Bond Resolution; such term shall include all resolutions supplemental to, or amendatory of, this Master Bond Resolution.

Section 2.02 Defined Terms.

In this Master Bond Resolution, terms defined in Article I shall have the meaning assigned therein, and unless a different meaning clearly appears from the context, the following terms shall have the meanings assigned below:

"Accountant" shall mean an independent firm of certified public accountants of suitable standing who audit the books, records, and accounts of 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 Master 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 (1) all interest payable on such Series of Bonds during such Fiscal Year, plus (2) any Principal Installment of such Series of Bonds during such Fiscal Year, minus (3) any Interest Payment Subsidies received by the Authority for such Series of Bonds during such Fiscal Year and used to pay debt service on such Series of Bonds during such Fiscal Year.

(a) For purposes of computing the Annual Principal and Interest Requirement, the rate of interest used to determine (1) above shall be a rate per annum equal to (i) 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 (ii) with respect to any Series of Variable Rate Bonds, the actual rate of interest on the date of calculation, or if the Variable Rate Bonds are not yet Outstanding, the initial rate (if established and binding); provided however, if the Variable Rate Bonds have been Outstanding for at least twelve (12) months, the average rate over the twelve months immediately preceding the date of calculation.

For purposes of this definition, if the initial rate on any Series of Variable Rate Bonds is not established and binding, then: (i) 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 weeks prior to the sale date, or (ii) if interest is not intended to be

together with the USDA Loans, the "Senior Lien Bonds"). The term Senior Lien Bonds shall also apply to the USDA Loans or the TD Bank Loan individually.

(H) It is expected that the Senior Lien Bonds shall be redeemed or defeased through the issuance of Bonds issued under the provisions of this Master Bond Resolution. To the extent any of the Senior Lien Bonds are not redeemed or defeased and therefore remain outstanding, the lien and the pledge on the revenues of the System supplied by the terms of this Master Bond Resolution for any Series of Bonds issued hereunder will remain junior and subordinate to the lien and pledge securing the Senior Lien Bonds. However, to the extent that holders of the Senior Lien Bonds consent to the provisions of this Master Bond Resolution, the Senior Lien Bonds may be considered as having been issued under the provisions hereof and all Series of Bonds issued hereunder shall be considered to have been issued on a parity with the Senior Lien Bonds.

(I) The Board presently contemplates improvements, enlargements, and expansions to the System, both now and in the future, and has determined to adopt this Master Bond Resolution to provide for the issuance of Bonds (on a tax-exempt or taxable basis), on either a current interest-bearing or capital appreciation basis, from time to time by the Authority payable from the revenues of the System in order to finance such improvements, enlargements, and expansions to the System (including the costs of issuance and such expenditures for the projects to be financed as have already been or will be made prior to issuance), and to refund from time to time such bonds or other indebtedness.

[End of Article I]

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.

(b) For purposes of computing the "Annual Principal and Interest Requirement," the Principal Installments for each Series of Bonds used to determine (2) above will be the actual planned Principal Installments, except as for any Series of Bonds in which 25% or more of the Principal Installments are payable in a single Fiscal Year, the Principal Installment in such year will be assumed to be the result derived by dividing (A) the aggregate outstanding principal due on such Series of Bonds by (B) the number of full years in the remaining term of such Series of Bonds, but if the date of calculation is within twelve (12) months of the final maturity date of such Series of Bonds and a binding commitment by an institutional lender or municipal underwriting firm exists to provide money to refinance the outstanding aggregate principal amount of such Series of Bonds then Outstanding, the payment terms contained in the commitment are to be used for purposes of calculating the Principal Installments for such Series of Bonds.

(c) For purposes of computing the "Annual Principal and Interest Requirement," amounts available in the Debt Service Reserve Fund established for a Series of Bonds may be applied against the interest payable on and the Principal Installments due on such Series of Bonds in the last Fiscal Year that such Series of Bonds is Outstanding.

"Authority" shall mean the Kershaw County and Lee County Regional Water Authority, South Carolina.

"Authority Representative" shall mean the Chief Executive Officer of the Authority, the Chief Financial Officer or any other official authorized by the Authority to act in such capacity.

"Authorized Investments" shall mean, within the limitations set forth herein, any investments now or hereafter permitted under Section 6-5-10 of the Code of Laws of South Carolina, 1976, as amended, or any successor statute, and shall also include the State investment fund established at Sections 6-6-10 to 6-6-40 of the South Carolina Code or any successor statute and as the same may be further limited pursuant to the provisions of a Series Resolution.

"Board" shall mean the Board of Directors of the Kershaw County and Lee County Regional Water Authority, or any successor body.

"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 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 Resolution authorizing the issuance of the respective Series of Bonds.

"**Bondholder**" or "**Holder**" shall mean, when used with reference to a registered Bond or Bonds, 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 (issued as tax-exempt or taxable 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 Master 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 or a day on which the United States federal reserve payment system is not operational.

"**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 Board. 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.

"**Chief Financial Officer**" shall mean the employee of the Authority with the title of chief financial officer, or in the absence of such person, the individual to whom the Board has delegated the responsibility of supervising and maintaining records and accounts relating to the collection and disbursement of the revenues derived from the operation and maintenance of the System.

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

"**Connection Fees**" shall mean those charges implemented and imposed by the Authority to recover certain capital costs from new water connections.

"**Consulting Engineers**" shall mean such independent, qualified and recognized consulting engineers having a favorable reputation for skill and experience in the planning, construction, operation and financial feasibility of facilities similar to the System.

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

"**Government Obligations**" shall mean: (a) 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 (b) 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**" or "**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 may include, but are not limited to tap-in fees, Connection Fees, and availability fees);

(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;

(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 and aids-to-construction; and

(e) all Interest Payment Subsidies to the extent such monies are not otherwise used to pay debt service on a Series of Bonds. Any Interest Payment Subsidies payable to the Trustee and used to pay debt service on a Series of Bonds shall not be included in Gross Revenues

All amounts received as *ad valorem* taxes shall not be included in Gross Revenues.

"**Independent Consultant**" shall mean such firm or firms consisting of or employing professional engineers, architects, rate consultants or other professionals having a favorable reputation for the design, maintenance and operation of facilities similar to the System. Such Independent Consultant shall not be an employee of the Authority and shall be engaged by the Authority to perform the tasks set forth to be performed by such Independent Consultant under the provisions of this Master Bond Resolution. Such term may include, where applicable, the Consulting Engineers.

"**Insurance Consultant**" shall mean a person or firm who is not, and no member, director, officer or employee of which is, an officer or employee of the Authority, which is

"**Debt Service Fund**" shall mean the funds herein so designated and designed to provide for the payment of the principal of and interest on the respective Series of Bonds issued pursuant to this Master Bond Resolution, as the same respectively fall due, and as established by the provisions of Section 7.04 hereof.

"**Debt Service Reserve Fund**" shall mean the funds, if any, so designated and designed (1) to secure the timely payment of the principal of and interest on the respective Series of Bonds Outstanding and issued pursuant to this Master Bond Resolution, and (2) to provide for the redemption of such Series of Bonds Outstanding prior to their stated maturity, as established by the provisions of Section 7.05 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.

"**Depository**" shall mean shall mean any bank or trust company selected by the Authority as a depository of moneys or securities held under the provisions of this Master Bond Resolution and may include the Trustee.

"**Enabling Act**" shall mean Chapters 17 and 21 of Title 6, and Chapter 21 of Title 11, Code of Laws of South Carolina, 1976, as amended, and all other statutory authorizations authorizing and enabling the Authority to adopt this Master Bond Resolution.

"**Enabling Legislation**" shall mean Chapter 36 of Title 33 of the Code of Laws of South Carolina, 1976, as amended.

"**Events of Default**" shall mean those events set forth in Section 13.01 of this Master 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 Master 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.

qualified to survey risks and to recommend insurance coverage for public utilities and services and organizations engaged in such operations.

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

"**Interest Payment Subsidies**" shall mean the refundable tax credit subsidies payable to the Authority from the federal government under any Section of the Code that authorizes refunding tax credits.

"**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.

"**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 Gross Revenues of the System, less Operation and Maintenance Expenses, and shall otherwise be adjusted as provided in (a) and (b) below:

(a) Net Earnings shall include amounts transferred into the Operation and Maintenance Fund from the Rate Stabilization Fund pursuant to Sections 8.03 and 8.09 hereof.

(b) Net Earnings shall not include:

(i) Connection Fees;

(ii) any gains from the sale or disposition of investments or fixed or capital assets not resulting from the ordinary course of the Authority's business;

(iii) amounts transferred from Rate Stabilization Fund into any other fund, excluding the Operation and Maintenance Fund as provided in (a) above; and

(iv) amounts transferred into the Rate Stabilization Fund pursuant Section 8.09 hereof.

"**Net Revenues**" shall mean, for the period in question, the Gross Revenues of the System, less Operation and Maintenance Expenses.

"**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 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 Master Bond Resolution. 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) amounts paid from government grants or aids-to-construction;
- (e) 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
- (f) amounts paid as capital costs pursuant to the provisions of long-term contracts which the Authority has entered into in order to provide water 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 pledge given to secure the same.

"Operation and Maintenance Fund" shall mean the fund established by the provisions of Section 7.03 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 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 canceled 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 Board to pay the principal of or interest on and redemption premium, if any, on any Bonds and having the

"Secretary" shall mean the Secretary of the Board. 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. In the event the Board has not chosen or appointed an assistant Secretary, any Board member in good standing may so 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 with respect to 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 Board authorizing the issuance of a Series of Bonds by the Authority pursuant to this Master Bond Resolution in accordance with the terms and provisions hereof, adopted by the Board in accordance with Article IV hereof.

"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 water system of the Authority as the same is now or may be constituted, 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.

duties, responsibilities and rights provided for in this Master Bond Resolution and any Series Resolution, and its successor or successors and any other corporation or association which at anytime may be substituted in its place pursuant to this Master Bond Resolution. Pursuant to the provisions of Section 15.02 of this Master 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 Bond Payment Date, reduced by the aggregate principal amount of such Bonds which will be retired by reason of any mandatory sinking fund payment payable before a Bond Payment 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 Master Bond Resolution shall mean, with respect to Capital Appreciation Bonds, the Accreted Value of such Capital Appreciation Bonds.

"Rate Stabilization Fund" shall mean the fund designed to provide for the stabilization of water rates by carrying forward surplus revenues.

"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).

"Redemption Price" shall mean, with respect to Bonds of any Series or a portion thereof, the principal amount of such Bonds or portion thereof plus the applicable premium, if any, payable upon redemption thereof in the manner contemplated in accordance with its terms, this Master Bond Resolution and 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 this Master Bond Resolution and having the duties, responsibilities, and rights provided for in this Master 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 Master Bond Resolution; however, the Board may, pursuant to a Series Resolution, authorize the Authority to serve as Registrar for the applicable Series of Bonds, in lieu of the institutions referred to above.

"Renewal and Replacement Fund" shall mean the fund herein so designated and designed 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.

"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.

"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 Master 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.

"Water Quality Authority" shall mean the South Carolina Water Quality Revolving Fund Authority.

Section 2.03 Interpretations.

In this Master 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 Master 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 Master Bond Resolution refer to this Master Bond Resolution or Sections or paragraphs of this Master Bond Resolution and the term "hereafter" shall mean any date after the date of adoption of this Master 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 Master 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 now existing to a different twelve (12) month period.

[End of Article III]

- (1) The then period of usefulness of the System;
- (2) The Date of Issue of such Series of Bonds or the manner of determining the Date of Issue;
- (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-five (45) years from the date of such Series of Bonds as prescribed by 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, Paying Agent and Registrar for such Bonds, if any, and if other than the Trustee, the manner of determining the Paying Agent and Registrar; additionally, the escrow agent if such Bonds are advance refunding Bonds;
- (12) The form or forms of the Bonds of such Series;

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 expansions, additions and improvements to the System, including the recoupment or reimbursement 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 or equipment 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 any Bonds;
 - (5) Funding any Debt Service Reserve Fund or restoring the value of the cash and securities in any Debt Service Reserve Fund to the amount equal to its Reserve Requirement, and reimbursing amounts owed to any providers of a surety bond, line of credit, insurance policy or letter of credit established pursuant to Section 7.05(E) 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 Kershaw County and Lee County Regional Water Authority, South Carolina, Water 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 or Term Bonds, with or without mandatory sinking fund payments, 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:

- (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 shall be and a Debt Service Reserve Fund may 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 as a standalone account or within any such construction fund if interest for any period is to be paid from proceeds of such Series of Bonds; and
- (18) Any other provisions deemed advisable by the Authority not in conflict with or in substitution for the provisions of this Master Bond Resolution.

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) 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, there shall be deposited in such Debt Service Reserve Fund such amounts as may be necessary to make the value of the moneys and securities in each Debt Service Reserve Fund equal to the applicable 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.

(6) Except in the case of the first two Series of Bonds issued hereunder or in the event no Bonds are Outstanding, in the event a Series of Bonds issued hereunder is Outstanding and the proposed Series of Bonds is not issued for the purpose of refunding any Bonds (which must meet the test prescribed in Section 4.02(7) herein), the Authority shall comply with the following additional bonds test:

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 Independent Consultants 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(6), 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 Independent Consultants 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 Independent Consultants, to be received by the System during the first Fiscal Year beginning after the date on which such project constructed or acquired with the proceeds of the proposed Series of Bonds is placed in service, taking into account for the estimation of such Net Earnings in this subparagraph (3) only the then-existing

(b) the additional bonds test prescribed by paragraph (6) herein shall be complied with.

(8) Any Series Ordinance authorizing a Series of Bonds may prescribe, in addition to the requirements set forth in Sections 4.02(6) and 4.02(7) hereof, further requirements that must be met for the issuance of Bonds either on a parity with Outstanding 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) The liquidity provider for such Bonds shall be rated in at least the second highest short term rating category by any rating agency then rating such Series of Bonds; 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 Sections 4.02(6) and 4.02(7) of this Master 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 7.05(E) 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 upon reports or certificates of the Accountants, the Independent Consultants, the Consulting Engineers, and/or any Insurance Consultant, made in good faith, 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 with the corporate seal of the Authority to be impressed or reproduced thereon and the same shall be attested by the Secretary. Such officers may employ facsimiles of their signatures.

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 an expansion to the System and to the extent not included by sub-paragraph (3) herein, 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 Independent Consultants, from customers under long-term contracts which extend for the life of such proposed Series of Bonds.

Provided that in the instance of any Series of Bonds in the aggregate principal amount of \$1,500,000 or less, such calculation required by Section 4.02(6) may, unless provided to the contrary in any Series Resolution, be made by the Chief Financial Officer.

In the event that a Series of Bonds is Outstanding and the Authority determines to issue a note or other obligation in anticipation of the issuance of a Series of Bonds, for the purposes of complying with the additional bonds test established in this Section 4.02(6) above, the Accountants, Independent Consultants, the Authority's financial advisor or the Authority's underwriter shall project the maturity schedule (including rate, term and principal maturities) of the future Series of Bonds that will be used to pay the note or other obligation at maturity; such future Series of Bonds and the accompanying projections shall qualify as a proposed Series of Bonds for purposes of the additional bonds test in Section 4.02(6).

Whenever the provisions of this paragraph 6 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.

(7) In the case of Bonds issued for the purpose of refunding any Bonds, Series of Bonds, or a portion of a Series of Bonds:

(a) the Annual Principal and Interest Requirement of the refunding Bonds shall not exceed one hundred five percent (105%) of the Annual Principal and Interest Requirement 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; or

(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 Master 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 Master 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, unless otherwise provided in a Series Resolution.

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 (including reasonable attorney's fees, costs and expenses) in connection with such actions.

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; all such payments 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 they 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 Master Bond Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be canceled and destroyed and shall not be reissued, and a counterpart of the certificate of destruction evidencing such

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(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 notice in accordance with the above requirements at least thirty (30) days but not more than sixty (60) days prior to the actual redemption date; and

(5) CUSIP number identification (if any) with appropriate dollar amounts for each CUSIP number must accompany all redemption payments and interest payments, whether by check or by wire transfer.

The obligation to provide notice shall not be conditioned upon the prior payment to the Paying Agent of money or the delivery to the Paying Agent of Authorized Investments or Government Obligations sufficient to pay the redemption price of the Bonds to which such notice relates or the interest thereon to the redemption date.

If at the time of mailing of notice of redemption, there shall not have been deposited with the Trustee or Paying Agent moneys sufficient to redeem all the Bonds or portions thereof called for redemption, which moneys are or will be available for redemption of such Bonds, such notice is required to state that it is conditional on the deposit of the redemption moneys with the Trustee or Paying Agent not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

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 or providing for Bonds in bearer form 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 canceled 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 Master Bond Resolution.

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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 Master 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 it 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 thirty (30) 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 canceled 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 Master Bond Resolution.

Section 4.13 Notice of Redemption.

If any of the Bonds, or portions thereof, are called for redemption, the Trustee, upon written direction from the Authority, 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, at least thirty (30) but no more than sixty (60) days prior to the redemption date to each registered owner of Bonds to be redeemed, at the address of such owner 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 any), Bond numbers, principal amount of each Bond to be redeemed (if less than all), publication date, redemption date, redemption price, redemption agent's name and address with contact person and phone number, 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 the Municipal Securities Rulemaking Board, if necessary (via its Electronic Municipal Market Access (EMMA) system, as may be amended or modified), and any Securities Depository by such method or such other method as is standard in the industry; in addition, any Bondholder holding in excess of \$1,000,000 principal amount of Bonds may request the Trustee to send notices to any additional addressee specified;

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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. The procedures for selection of Bonds of a Series for redemption set forth in this Section 4.15 are subject, however, to any alternative provisions set forth in a Series Resolution applicable to such Series of Bonds.

Section 4.16 Restriction on Optional Redemption.

Notwithstanding anything in this Master 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 7.05(E) hereof shall have been paid in full.

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 Master 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 Net Revenues. As provided in the Enabling Act and as additional security for the payment of Bonds, a statutory lien on the System is hereby created and granted. Such pledge and liens securing the Bonds at all times and in all respects shall be and remain junior to the

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pledges and liens made to secure the Senior Lien Bonds but 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 Net Earnings.

Section 4.19 Bonds in Book-Entry Form.

Notwithstanding any other provision of this Master Bond Resolution 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 a 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 Master 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 Master 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 Master Bond Resolution to the contrary, the Authority may from time to time, pursuant to one or more Series Resolutions, provide for the issuance of Bonds the interest on which may be includable in gross income of the Holders of such Bonds for

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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 Master Bond Resolution, be as now established. Said rates and charges are determined to be sufficient to meet the requirements of this Master 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 Master 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 Senior Lien Bonds by providing for the punctual payment of any deficiency which may exist in the irrevocable special trust funds established, if any, in order to effect the payment of the Senior Lien Bonds whether at maturity or by prior redemption;
- (2) To provide for the payment of the Operation and Maintenance Expenses;
- (3) To provide for the punctual payment of the principal of and interest on all Bonds that may from time to time hereafter be Outstanding;
- (4) To maintain the Debt Service Funds and thus provide for the punctual payment of the principal of and interest on the Bonds;
- (5) To maintain the Debt Service Reserve Funds, if any, in the manner herein prescribed;
- (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 7.05(E) hereof;
- (7) 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;
- (8) To provide for the punctual payment of the principal of and interest on all Junior Lien Bonds that may from time to time hereafter be outstanding; and
- (9) To discharge all obligations imposed by the Enabling Legislation, the Enabling Act and by this Master 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 twenty percent (120%) of

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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 Master Bond Resolution.

[End of Article IV]

the Annual Principal and Interest Requirement for all Series of Bonds Outstanding in such Fiscal Year, plus (ii) one hundred percent (100%) of any required payment into a Debt Service Reserve Fund, if any, due in such Fiscal Year, plus (iii) 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 7.05(E) hereof, plus (iv) 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 services to the areas included within its service area, due in such Fiscal Year. 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, the Authority shall review the rates and charges for its services and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement. 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 Renewal and Replacement Fund. The Authority may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

(C) If the Authority, in adopting the Annual Budget, determines that revenues may not be sufficient to meet the rate covenant established hereinabove or if the audited financial statements of the Authority indicate that the Authority did not satisfy the rate covenant for the prior year, the Authority shall, within forty-five (45) days, engage an Independent Consultant to prepare a report recommending such actions which will provide sufficient revenues in the following Fiscal Year to permit the Authority to meet the rate covenant. Copies of such report shall be made available to the Authority and the Trustee no later than sixty (60) days after the engagement of the Independent Consultant.

The Authority agrees that it shall use its best efforts to effect such changes recommended by the Independent Consultant in its report. So long as the Authority uses its best efforts to comply with such recommendations, failure to comply with the rate covenant shall not constitute an Event of Default under Article XIII hereof; provided however, a failure to comply with the rate covenant for a period of two consecutive Fiscal Years shall constitute an Event of Default.

[End of Article V]

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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 Master 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.

(3) The Authority shall obtain an opinion of Bond Counsel to the effect that: (a) this Master 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 Master 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 Master Bond Resolution.

(4) There shall be deposited in the Debt Service Fund for such Series of newly-accrued 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.

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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 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 Revenues.

(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 Reserve and Replacement Fund.

Section 7.03 The Operation and Maintenance Fund.

(A) There shall be established and maintained an Operation and Maintenance Fund. The Operation and Maintenance Fund is intended to provide for the payment of the Operation and Maintenance Expenses.

(B) Withdrawals from the Operation and Maintenance Fund shall be made by or on the order of an Authority Representative in accordance, as nearly as may be practicable, with the Annual Budget then in effect.

Section 7.04 The Debt Service Funds.

(A) There shall be established and maintained 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 Debt Service Funds shall be made in the manner prescribed by this Master Bond Resolution, including the applicable provisions of Article VIII hereof, 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

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(5) In the event such proceedings require a Reserve Requirement to be maintained for such Series of newly-accrued Bonds, then in such event, there shall be no 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) In the event such Junior Lien Bonds were issued with variable rates, the provisions of subparagraph (9) of Section 4.02 herein 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 facilities (or those enterprises, if any referred to in Section 11.02 hereof) 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: (1) the aggregate principal amount of such obligations outstanding at any time shall not exceed ten percent (10%) of the value of the property, plant and equipment of the System, less accumulated depreciation, as shown on the audited balance sheet of the Authority for the most recent Fiscal Year for which audited financial statements are available; and (2) the loss of the property secured by the lien will not materially adversely affect the ability of the Authority to meet its financial obligations under this Master Bond Resolution.

[End of Article VI]

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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. Amounts held by the Trustee due to non-presentation 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. Provided, however, in the event (1) a Series of Bonds is purchased by a single institution and thereafter held by a single Bondholder, and (2) there is not established for such Series of Bonds a Reserve Requirement, the Debt Service Fund established for such Series of Bonds may be held by the Holder of that Series of Bonds, and the Holder of any such Series of Bonds must provide to the Trustee, as and when requested by the Trustee, a written certificate containing current information as to the principal Outstanding, the redemption premium, if any, and accrued interest on such Series of Bonds, and, if the Holder of such Series of Bonds does not provide the Trustee such written certificate within five (5) Business Days of a request by the Trustee, the Trustee, for all purposes of this Bond Resolution, shall conclusively assume that such Series of Bonds has been paid in accordance with the original tenor of such Series of Bonds.

(C) Money in the Debt Service Funds shall be invested and reinvested by the Trustee at the written direction of the Chief Financial Officer or his designee 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 on the next occurring maturity of the Bonds. Unless otherwise provided in a Series Resolution, 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 8.04 hereof.

(D) All monies received by the Trustee as Interest Payment Subsidies shall be deposited in the Debt Service Fund for such Series of Bonds and used to pay debt service on the Series of Bonds with respect to which such Interest Payment Subsidy was received.

Section 7.05 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:

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(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 4.16 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 Master 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) (1) Except as provided in (B)(2) below, each Debt Service Reserve Fund shall be kept in the complete custody and control of the Trustee, and 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.

(2) If a Series of Bonds is held by the Water Quality Authority, then the Debt Service Reserve Fund for such Series of Bonds may be kept in the custody and control of the State Treasurer's Office and invested in the Local Government Investment Pool in Authorized Investments. Withdrawals therefrom shall be made only as directed by the Water Quality Authority at such times as may be required to pay the principal and interest on such Series of Bonds. Any withdrawal of the monies in a Debt Service Reserve Fund that exceed the Reserve Requirement shall be transferred in accordance with the provisions of Section 7.04(C) hereof.

(C) Except as otherwise limited by the provisions of this Master Bond Resolution, money in a Debt Service Reserve Fund shall be invested and reinvested by the Trustee in the written direction of the Chief Financial Officer 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, unless otherwise provided in a Series Resolution, 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 by the Chief Financial Officer.

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(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 The Rate Stabilization Fund.

The Board may, by resolution, establish a Rate Stabilization Fund, as needed, and, if created, shall administer such fund under the provisions of this Bond Resolution and State law.

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 to so invest in writing, the Trustee shall act in compliance with such written directions. 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 7.04 and 7.05 hereof, and (ii) unless the Authority shall have determined pursuant to the Annual Budget that any such earnings on amounts in the Renewal and Replacement Fund and/or the Rate Stabilization Fund shall remain therein.

[End of Article VII]

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(D) In the event a Series Resolution requires a Reserve Requirement to be established for such Series of Bonds, such Series Resolution may provide that in lieu of the deposit of moneys into such Debt Service Reserve Fund, the Authority may alternatively satisfy such Reserve Requirement by causing to be credited therefor an irrevocable and unconditional surety bond, line of credit, letter of credit or insurance policy equal to the Reserve Requirement therefor.

(E) In the event the amount on deposit in, or credited to, a Debt Service Reserve Fund, in addition to the amount available under the surety bond, line of credit, insurance policy or letter of credit in question (the "Original Funding Instrument") includes amounts available under another surety bond, line of credit, insurance policy or letter of credit (the "Additional Funding Instrument"), draws in the Original Funding Instrument and the Additional Funding Instrument shall be made on a pro rata basis to fund any insufficiency in the Debt Service Fund. In the event a Debt Service Reserve Fund is funded with both monies and a surety bond, line of credit, insurance policy or letter of credit, (1) any withdrawals from such Debt Service Reserve Fund shall be made first from such monies (or the liquidation of investments made therewith) and second from such surety bond, line of credit, insurance policy or letter of credit, and (2) deposits to such Debt Service Reserve Fund pursuant to Section 8.05 shall be used first to reinstate the surety bond, line of credit, insurance policy or letter of credit and second to restore the cash balance. The surety bond, line of credit, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any Bond Payment Date on which moneys will be required to be withdrawn from such Debt Service Reserve Fund and applied to the payment of the principal of or interest on the Outstanding Series of Bonds to which such surety bond, line of credit, insurance policy or letter of credit relates when such payments cannot be made by amounts otherwise credited to such Debt Service Reserve Fund.

Section 7.06 The Renewal and Replacement Fund.

(A) There shall be established and maintained a Renewal and Replacement Fund held and administered by the Authority. This fund shall be maintained in an amount to be established not less frequently than annually 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 or replacing 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 to the System;

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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 Master 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 Business Day which is five (5) Business Days prior to the end of each month following the delivery of the first Series of Bonds issued pursuant to this Master Bond Resolution or as otherwise provided herein and in the order of priority established by the sequence of the remaining sections of this Article.

Section 8.02 Payments for Senior Lien Bonds

Provision shall be made for the payment of principal of and interest on the Senior Lien Bonds, in the order of the priority of their liens, if any, in the event the funds established, if any, for such purposes are not adequate.

Section 8.03 Deposits for the Operation and Maintenance Fund.

There shall be transferred to the Operation and Maintenance Fund, either from the General Revenue Fund or the Rate Stabilization Fund, the amounts budgeted for Operation and Maintenance Expenses for the ensuing month.

Section 8.04 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 Bond 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, or the Trustee is in receipt of any Interest Payment Subsidies, pursuant to any other provision of this Master 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 Principal Installment 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

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principal to become due on a Series of Bonds, pursuant to any other provision of this Master 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 8.05 Deposits for the Debt Service Reserve Funds - Valuation.

Deposits shall next be made in the amounts required by this Section 8.05 into the respective Debt Service Reserve Funds. The Trustee shall calculate the value of the cash and securities in each Debt Service Reserve Fund 45 days prior to each 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 Master Bond Resolution and the respective Series Resolutions. Unless a Debt Service Reserve Fund is being funded pursuant to Section 4.02(5)(a) herein or then contains in cash and securities (or a surety bond, insurance policy, line of credit or letter of credit as provided in Section 7.05 hereof) in 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 twenty-four (24) months following a determination of a deficiency in such Debt Service Reserve Fund one-twenty-fourth (1/24) 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 principal balance thereof shall be paid by the Authority in the same manner and on a parity with the payments described in this Section 8.05.

The market value of any Authorized Investments in a Debt Service Reserve Fund shall be calculated based on usual and customary sources of pricing information.

Section 8.06 Reimbursement of Interest on Amounts Advanced for Debt Service Reserve Fund.

Provision shall then be made for payment of interest on amounts advanced by the provider of any surety bond, line of credit, insurance policy or letter of credit as contemplated in Section 7.05(D) hereof.

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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 established by this Master 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 two hundred and ten (210) 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 it will furnish a copy of such audit to the Trustee. Such audit shall 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 Master Bond Resolution noted by the Accountants, and such other matters as to them seem pertinent. The cost of such audit shall be treated as an Operation and Maintenance Expense. Any copies so furnished need not be certified.

[End of Article IX]

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Section 8.07 Deposits for the Renewal and Replacement Fund.

There shall be transferred into the Renewal and Replacement 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 8.08 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 8.09 Use of Surplus Money.

All money remaining after making the payments required by Sections 8.01 to 8.08 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.

The Authority may determine by resolution of the Board, at any time, to deposit any percentage or any set amount of surplus money under this Section 8.09 into the Rate Stabilization Fund; provided, however, that any amounts deposited into the Rate Stabilization Fund shall not exceed the amount budgeted for the Operation and Maintenance Fund for the then current Fiscal Year. Amounts on deposit in the Rate Stabilization Fund may, at the direction of an Authority Representative, be used to make deposits into the Operation and Maintenance Fund required by Section 8.03 hereof. Amounts on deposit in the Rate Stabilization Fund may, at the option of the Board, be withdrawn and used for any other lawful purpose of the Authority, but in such event, such withdrawal, if for a purpose other than the payment of Operation and Maintenance Expenses, shall be excluded from Net Earnings.

[End of Article VIII]

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ARTICLE X - INSURANCE

Section 10.01 Requirement of Insurance.

- (A) The Authority covenants and agrees that so long as any Bonds are Outstanding:
 - (1) To the extent insurance coverage is available, 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 of South Carolina, to assume the risks insured against, in such amount as private corporations engaged in similar endeavors would customarily insure for;
 - (2) 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 any Registrar;
 - (3) That all premiums on all bonds or insurance policies shall be deemed a part of the cost of operating and maintaining the System;
 - (4) That all insurance policies shall be open to the inspection of any Bondholder at any reasonable time;
 - (5) 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 Renewal and Replacement Fund; and
 - (6) 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 Code of Laws of South Carolina, 1976, as the same from time to time shall be amended.

(B) Insurance required by this Section 10.01 may be provided through the South Carolina Insurance Reserve Fund. The Authority may obtain or adopt alternative risk management programs which an Insurance Consultant determines to be reasonable, including, without limitation, self-insurance in whole or in part individually or in connection with other institutions, participation in programs of captive insurance companies; participation with other governmental entities in mutual or other cooperative insurance or other risk management programs, participation in state or federal insurance programs, taking advantage of state or federal laws now or hereafter in existence limiting liability, or establishing or participating in other alternative risk management programs; all as may be approved by the Insurance Consultant as reasonable and appropriate risk management by the Authority. If the Authority shall be self-insured for any coverage, the Authority shall obtain a report of an Insurance Consultant stating whether the anticipated funding of any self-insurance fund is actuarially sound, and if not, the

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required funding to produce such result and such coverage shall be reviewed by the Insurance Consultant not less frequently than annually. Any self-insurance program shall be subject to annual review by the Insurance Consultant who shall provide a written report to the Authority which shall include recommendations relating to such self-insurance program. The Authority shall provide to the Trustee annual certification evidencing compliance with the Insurance Consultant's recommendations.

[End of Article X]

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(H) That 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;

(I) That, 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

(J) That it will make all payments or deposits required under Articles VII and VIII of this Master Bond Resolution in a timely manner.

Section 11.02 Acquisition of Additional Utilities.

No provision of this Master 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 Code of Laws of the State 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 Master Bond Resolution. 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 Master Bond Resolution were not included in the definition of System hereunder) to the definition of System hereunder, provided that:

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

(B) the Board shall have adopted an appropriate amendatory resolution to this Master 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 Master 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 Independent Consultants with a reputation for expertise in the type of enterprise being added to the System, by the Accountants or by the Chief Financial Officer, 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, this paragraph (D) shall not apply and the

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ARTICLE XI - ADDITIONAL COVENANTS

Section 11.01 Additional Covenants to Secure Bonds.

The Authority further covenants and agrees: -

(A) That 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;

(B) That 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;

(C) That, to the extent lawful, it will not permit competing systems to operate within its boundaries;

(D) That, it will permit no water customer to be connected to the System, or to receive any service afforded by the System, unless a proper meter shall be installed, 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) That 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) That it will not pledge, mortgage, or otherwise encumber the System or any portion thereof, or any revenues therefrom except in the manner herein authorized, and it will not sell, lease or otherwise dispose of any portion of the System, necessary or useful in the operation of the System, until all Bonds shall be paid in full, or unless and until provision shall have been made for the payment of all Bonds and the interest thereon in full, and the Authority further obligates itself and covenants and agrees with the Bondholders to maintain in good condition and to operate said System, and to 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 Master Bond Resolution. If, pursuant to this Section, anything belonging to the System which is not deemed by the Authority to be necessary or useful therefor shall be sold or disposed of, the proceeds of such sale or disposition shall be deposited in the Renewal and Replacement Fund;

(G) That 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;

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Authority shall meet the requirements of Article IV hereof before issuing such Bonds and acquiring such utility.

Section 11.03. Sale, Exchange, Removal or Disposal of Component of System.

(A) The Authority may from time to time sell, exchange, remove or dispose of, (but not lease, contract or agree for the use thereof) an entire component comprising a part of the System, if it determines by resolution:

(1) that the sale, exchange, removal or other disposition thereof would not materially adversely affect the operating efficiency of the System and would not materially reduce Net Earnings; or

(2) that the sale, exchange, removal or other disposition thereof (1) would not materially adversely affect the ability of the Authority to comply with the rate covenant, set forth in Section 5.01 hereof, for the current and next succeeding Fiscal Year, and (2) would be for a consideration of not less than reasonable value as may be determined in the sole discretion of the Board.

(B) In addition to the provisions of Section 11.03(A) hereof, if the Authority determines to sell, exchange, remove or dispose of an entire component comprising a part of the System the following conditions shall also be met:

(1) an opinion of Bond Counsel to the effect that the sale, exchange, removal or disposal of a component of the System from the System has been effected in accordance with the terms of this Master Bond Resolution; and

(2) notice shall be provided to any rating agency, if any, then rating any Series of Bonds regarding the sale, exchange, removal or disposal of such component from the System.

(C) If the Authority sells, exchanges, removes or otherwise disposes a component of the System, the proceeds, if any, of such transaction 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 and (2) any other type of indebtedness of the City associated with or related to such component; 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 component; or

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

[End of Article XI]

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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 Master 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 Master Bond Resolution;
(2) To add to the covenants and agreements of the Authority in this Master 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 Master Bond Resolution; and
(4) To cure, correct and remove any ambiguity or inconsistent provisions contained in this Master Bond Resolution; and
(5) For any other purpose which, in the opinion of Bond Counsel, does not materially affect the interests of the Bondholders.

(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 Clerk of Court for each county for which the Authority provides service, 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. 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 Master Bond Resolution may be modified or altered in any respect by a resolution adopted by the Authority with the consent of the Holders of fifty-one percent (51%) in principal amount of all Bonds of each Series which would be affected by such modification or alteration then Outstanding, if any, of each such Series of Bonds, such consent to be evidenced by an instrument or instruments executed by such Holders and duly acknowledged or proved before a notary public or other public officer authorized to take oaths, 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;

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) Payment of any installment of either interest or principal on any Senior Lien Bonds shall not be made when the same becomes due and payable;
(4) Except as provided in Section 5.01(C) hereof, the Authority shall not comply with the rate covenant found in Section 5.01(B) herein;
(5) 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;
(6) 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 Master 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, 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
(7) Such other Events of Default as may be specified in a Series Resolution.

- (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 Master Bond Resolution;
(E) Permit preference or priority of any Bonds to others;
(F) Alter or modify the provisions of Section 4.02 or of Articles V, VII, and VIII; or
(G) Reduce the percentage required for the written consent to the modification or alteration of the provisions of this Master 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 shall not become effective until (1) there has been filed with the Clerk of Court for each county for which the Authority provides service and with the Trustee a copy of such amendatory resolution hereinabove provided for, duly certified, and (2) proof of consent to such modification by the Holders (depending on the type of type of type of modification) of (A) fifty-one percent (51%) in principal amount of the Bonds of each Series then Outstanding or (B) all Bonds 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.

Any rating agency rating a Series of Bonds shall be provided notice and a copy of any amendment to this Master Bond Resolution within fifteen (15) days of its execution or adoption.

[End of Article XIII]

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.

(B) The foregoing provisions of paragraphs (4) and (6) 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 or Articles V, VII and VIII 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 the State 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 shall, upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding, 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 Master 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 Master Bond Resolution, the Trustee shall, upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and 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; and
(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.

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, subject to the provisions of Section 17.01 hereof, the Trustee may, 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, shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders under this Master Bond Resolution by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(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 expenses;
(2) To the payments of the principal and interest of the Senior Lien Bonds, in the order of the priority of their liens, if any, in the event the funds, if any, established for such purposes are not adequate;
(3) To the payment of all other Operation and Maintenance Expenses;
(4) 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;

(1) Seeking a writ of mandamus, requiring the Authority to carry out its duties and obligations under the terms of the Master Bond Resolution, the Enabling Legislation 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 Master 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, and upon receipt of assurances of indemnification of the Trustee, the sufficiency of which shall be determined in the Trustee's sole discretion, 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 Master Bond Resolution by any acts which may be unlawful or in violation of this Master 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 Master 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 an Event of 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 Master 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.

(5) To the payment of the amounts required by Sections 8.05 and 8.06, ratably, according to the amounts due thereon to the persons entitled thereto;

(6) To the payment of the required deposits to the Renewal and Replacement Fund under Section 8.07; and

(7) To the payment of the amounts required by Section 8.08, ratably, according to the amounts due thereon to the persons entitled thereto.

Section 14.04 Remedies Not Exclusive.

No remedy by the terms of this Master 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 Master 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 Master 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 Master 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 Master 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 Master 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 Master 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 Master Bond Resolution or for the execution of any trust hereunder or for any remedy under this Master Bond Resolution unless:

(1) An Event of Default has occurred:

(a) under paragraph (1) or (2) of subsection (A) of Section 13.01 hereof (i) as to which the Trustee has actual notice, (ii) 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 Master Bond Resolution or to institute such action, suit or proceeding in its own name; and

(3) Such Bondholders shall have provided assurances of indemnification of the Trustee, the sufficiency of which shall be determined in the Trustee's sole discretion; 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 Master 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 Master 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,

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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, if any, 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 immediately notify the Authority and each Insurer of any Series of Bonds then Outstanding of any Event of Default known to the Trustee.

Section 14.11 Rights of Insurers.

Any Series Resolution may provide that any Insurer, insuring the applicable Series of Bonds, upon the occurrence of an Event of Default and with respect to all remedies provided herein, may prevent the acceleration of the Bonds of all Series or permit the annulment of the acceleration of the Bonds of all Series. Such Insurer may be subrogated to the rights to payment of the Holders of any Bonds with respect to which it pays any principal or interest on the Bonds owned by that Holder.

[End of Article XIV]

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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 this Master Bond Resolution, or before the completion of the enforcement of any other remedy under this Master Bond Resolution.

(C) Notwithstanding anything contained in this Master 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 Master 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 Events of Default.

(A) Within thirty (30) days after:

(1) The receipt of notice of an Event of Default as provided in Section 14.07(A)(1)(a)(i) or (ii) 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,

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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 Master Bond Resolution, the Authority shall appoint the Trustee. Such appointment shall be made by means of the Series Resolution adopted by the Board in connection with the issuance of the first Series of Bonds pursuant to this Master Bond Resolution. 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 custodian of the Debt Service Funds;

(C) Except as otherwise provided herein, to act as custodian of the Debt Service Reserve Funds, if any;

(D) To act as Paying Agent for the Bonds;

(E) In the event Bonds are issued in registered form, 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 the market value of the Debt Service Reserve Funds; 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

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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 Master 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 Master 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 Master Bond Resolution or of the Bonds issued hereunder except with respect to the authentication of any Bonds. Nor shall the Trustee be under any 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 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 and 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.

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.

(B) Provided an Event of Default has not occurred and is not continuing, the Trustee may be removed at any time by the Authority.

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

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

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.

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 canceled.

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.

[End of Article XV]

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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 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 Authority duly adopted. Such successor shall in all instances be a bank or a trust company, 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.

Any bank or trust company into which the Trustee may be merged, or with which it may be consolidated, or any bank or trust company resulting from any merger or consolidation to which it shall be a party, or any bank or trust company 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.

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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 Master 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 Master 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 or trust company which would otherwise meet the chartering and capital and surplus requirements contained in Section 15.09(A) hereof, in 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 entity providing such services and deemed qualified by the Trustee, 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.

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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 redemption thereof, and will further authorize and empower the Trustee to cause the publication of such notice of 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 Master Bond Resolution to the contrary, 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. No rights granted to an Insurer by this Master 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.

(B) Any provision of this Master 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 Master 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) The terms and provisions of this Master 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 Master Bond Resolution or the applicable Series Resolution or any agreement between such Insurer and the Authority.

Section 17.02 Purpose of Covenants in Master Bond Resolution.

Every covenant, undertaking and agreement made on behalf of the Authority, as set forth in this Master 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 7.05(E) hereof may enforce the terms, conditions and obligations under this Master 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 Master Bond Resolution.

If any Section, paragraph, clause or provision of this Master 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 Master 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 Master 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 Authorization to Sign.

For purposes of all consents and other necessary documentation associated with the issuance of Bonds, the Authority Representative shall be authorized to sign on behalf of the Authority and the Board.

Section 17.06 Repealing Clause.

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

Section 17.07 Governing Law.

The provisions of this Master Bond Resolution shall be governed by the laws of the State of South Carolina, without regard to conflict of law principles.

Section 17.08 Date Effective.

The provisions of this Master Bond Resolution shall become effective as of the adoption date hereof.

DONE, RATIFIED AND ADOPTED on March 6, 2014.

KESHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY, SOUTH CAROLINA

(SEAL)

Renew Haley
Chairman
Board of Directors

Attest:

Constance C. McCarbelle
Secretary
Board of Directors

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A SERIES RESOLUTION

**PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM
IMPROVEMENT REVENUE BONDS OF KERSHAW COUNTY AND LEE COUNTY
REGIONAL WATER AUTHORITY, SOUTH CAROLINA IN THE AGGREGATE
PRINCIPAL AMOUNT OF NOT EXCEEDING TWENTY-EIGHT MILLION
DOLLARS (\$28,000,000), TO BE ISSUED IN ONE OR MORE SERIES; AND OTHER
MATTERS RELATING THERETO.**

ADOPTED: OCTOBER 18, 2021
2021 SERIES RESOLUTION

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EXHIBIT A FORM OF BOND..... A-1

**BE IT RESOLVED BY THE BOARD OF DIRECTORS, THE GOVERNING
BODY OF THE KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER
AUTHORITY, IN A MEETING DULY ASSEMBLED, THAT:**

ARTICLE I
FINDINGS OF FACT

Section 1.01 Findings.

Incident to the adoption of this Series Resolution (this “*2021 Series Resolution*”), and the issuance of the water system improvement revenue bonds provided for herein, the Board of Directors (the “*Board*”), the governing body of Kershaw County and Lee County Regional Water Authority, South Carolina (the “*Authority*”), finds that the facts set forth in this Article exist and the following statements are in all respects true and correct:

(A) The Board has made general provision for the issuance from time to time of water system revenue bonds (the “*Bonds*”) of the Authority by a resolution entitled “A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER SYSTEM REVENUE BONDS OF THE KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY, SOUTH CAROLINA, AND OTHER MATTERS RELATING THERETO” adopted by the Board on March 6, 2014 (the “*Master Bond Resolution*”). Terms with initial capitals and not otherwise defined herein shall have the meanings ascribed thereto in the Master Bond Resolution.

(B) It is provided in and by the Master Bond Resolution that, upon adoption of a “Series Resolution,” there may be issued one or more Series of Bonds for the purposes, among others, of obtaining funds for expansions, additions and improvements to the water system of the Authority (the “*System*,” as such term is more particularly defined in the Bond Ordinance), including the recoupment of funds already expended, to pay any outstanding bond anticipation notes of the Authority issued in anticipation of the issuance of Bonds, to refund Bonds payable from the revenues of the System, to provide funds for the payment of interest due on Bonds, to fund or restore Debt Service Reserve Funds, if any, in an amount equal to the Reserve Requirement, and to pay costs of issuing Bonds.

(C) Pursuant to the Master Bond Resolution, the Authority has Outstanding the following Series of Bonds, each issued on a parity in the principal amounts set forth below (collectively, the “*Parity Bonds*”):

(1) the \$18,805,000 principal amount of the \$18,805,000 final principal amount Water System Improvement Revenue Bonds, Series 2014A (Tax-Exempt), dated March 27, 2014;

(2) the \$805,000 principal amount of the \$3,845,000 final principal amount Water System Refunding Revenue Bonds, Series 2014B (Taxable), dated March 27, 2014;

(3) the \$1,918,633 principal amount of the not exceeding \$2,188,558, plus capitalized interest, if any, Water System Improvement Revenue Bond, Series 2017 (South Carolina Drinking Water Revolving Loan Fund, Loan Number X3-073-16-2820005-01); and

(4) the \$463,487 principal amount of the \$492,000 Water System Improvement Revenue Bond, Series 2019 (Taxable), dated March 19, 2019 (the "**Series 2019 Bond**").

(D) The Board has determined at this time to provide for certain improvements to the System, including (1) acquiring, engineering, permitting, constructing, furnishing and equipping new raw water wells, a portion of the cost of a 1,000,000 gallon elevated storage tank, and new and upsized water mains, including the equipping of the same and other related improvements to the System (collectively, the "**2021A Project**"); and (2) acquiring, engineering, permitting, constructing, furnishing and equipping a new water line, an 800,000-gallon ground storage tank, and a portion of the cost of a 1,000,000 gallon elevated storage tank, including the equipping of the same and other related improvements to the System (collectively, the "**2021B Project**" and together with the 2021A Project, the "**Project**").

(E) On the basis of the authority provided in the Master Bond Resolution, the Authority has determined to issue the Series 2021 Bonds (as defined herein) to: (1) defray the costs of the Project; (2) fund, if necessary, the 2021 Debt Service Reserve Fund (as defined herein) in a manner permitted by the Master Bond Resolution; (3) to pay capitalized interest on the Bonds, as and if needed; and (4) pay the costs of issuance of the Series 2021 Bonds, including payment of any premium due on any Municipal Bond Insurance Policy or other credit enhancement.

(F) Upon the issuance of the Series 2021 Bonds, the Series 2021 Bonds, together with all additional Series of Bonds issued pursuant to terms of the Master Bond Resolution, shall be issued on a parity with the Parity Bonds, excluding any of the Refunded Bonds redeemed with the proceeds of the Series 2021 Bonds.

(G) By reason of the foregoing, the Authority has determined to adopt this 2021 Series Resolution in accordance with the terms and provisions of the Master Bond Resolution in order to issue bonds for the purposes described in Paragraph (E) above.

Section 1.02 Determinations Required by Section 4.01(B) of the Master Bond Resolution.

(A) The Board hereby specifies and determines that:

(1) the current period of usefulness of the System is as set forth in Article III hereof;

(2) the Date of Issue of any Series of the Series 2021 Bonds shall be the date that such Series of Bonds are executed and delivered, or as otherwise determined by an Authorized Representative pursuant to Article V in accordance with Section 4.03 hereof;

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Series 2021 Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof in one or more Series;

(14) the Series 2021 Bonds shall be issued in book-entry form as authorized by Section 4.19 of the Master Bond Resolution;

(15) [the Reserve Requirement applicable to the Series 2019 Bond, the only Series of Parity Bonds for which a Reserve Requirement is applicable, has been met;]

(16) the proceeds of Series 2021 Bonds shall be applied as set forth at Article VII hereof; and

(17) no 2021 Debt Service Reserve Fund is contemplated to be established in connection with the Series 2021 Bonds, and thus no 2021 Reserve Requirement is anticipated to be established, however if the Authorized Representative determines that a Debt Service Reserve Fund shall assist the Authority in obtaining more advantageous terms for any Series of the Series 2021 Bonds, he may establish a Debt Service Reserve Fund and the amount of the Reserve Requirement to be met from proceeds of such Series of Bonds or available funds of the Authority; and

(18) the 2021 Debt Service Fund or Funds shall be established for each Series of Series 2021 Bonds, pursuant to Section 4.06 hereof.

(19) the 2021 Construction Fund and the 2021 COI Account are established pursuant to Article VII.

[End of Article I]

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(3) the maximum authorized principal amount of the Series 2021 Bonds is set forth at Section 4.01 hereof, and the exact principal amount of any Series of the Series 2021 Bonds shall be determined by an Authorized Representative at the closing of the Series 2021 Bonds pursuant to Article V hereof;

(4) the Bond Payment Dates, Record Dates, and the date and amount of the final payment of principal of any Series of Series 2021 Bonds, including the dates of maturity of any such Series of Bonds, shall be determined by an Authorized Representative at the closing of such Series of Bonds pursuant to Article V hereof;

(5) Series 2021 Bonds are necessary to provide funds to be used and expended for purposes set forth in Section 4.01(A) of the Master Bond Resolution, as such purposes are particularly described at Section 4.02 hereof;

(6) the title and designation of each Series of Series 2021 Bonds shall be as set forth at Section 4.01 hereof or as otherwise determined by an Authorized Representative pursuant to Article V hereof;

(7) Series 2021 Bonds shall be sold in accordance with Article VIII hereof in the manner determined by an Authorized Representative as authorized by Article V hereof;

(8) Series 2021 Bonds shall bear interest at rates as determined by an Authorized Representative through the sale procedures of Article VIII hereof, and the Authority will not enter into any interest rate swap or similar transaction with respect to the Series 2021 Bonds;

(9) any Series of Series 2021 Bonds may be issued as either Serial Bonds or Term Bonds (with appropriate mandatory redemption provisions), but not Capital Appreciation Bonds, as determined by an Authorized Representative pursuant to Article V hereof;

(10) the redemption prices and dates applicable to any Series of Series 2021 Bonds shall be as determined by an Authorized Representative at the closing of such Series 2021 Bonds pursuant to Article V in accordance with Section 4.03 hereof;

(11) Regions Bank (the "**Trustee**") shall serve as Trustee, Paying Agent, and Registrar for the Series 2021 Bonds;

(12) Series 2021 Bonds shall be in the form as provided at Section 4.09 and Exhibit A hereof, with such revisions as may be approved by an Authorized Representative pursuant to Article V hereof upon the advice of Bond Counsel (as defined in Section 10.03 herein), the execution thereof being conclusive evidence of such approval;

(13) the initial maturity of Series 2021 Bonds shall be numbered R-1 and any other Series 2021 Bonds thereafter shall be sequentially numbered "R-" thereafter; the

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ARTICLE II

DEFINITIONS AND AUTHORITY

Section 2.01 Definitions.

(A) Except as provided in subsection (B) below, all capitalized terms which are defined in Section 2.02 of the Master Bond Resolution shall have the meanings given the same in this 2021 Series Resolution.

(B) As used in this 2021 Series Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"**2021 Capitalized Interest Fund**" shall mean the fund of that name established by Section 7.04 of this 2021 Series Resolution.

"**2021 COI Account**" shall mean the account of that name established by Section 7.02 of this 2021 Series Resolution.

"**2021 Construction Fund**" shall mean the fund of that name established by Section 7.03 of this 2021 Series Resolution.

"**2021 Debt Service Fund**" shall mean the fund of that name established by Section 4.06 of this 2021 Series Resolution pursuant to Section 7.04 of the Master Bond Resolution.

"**2021 Debt Service Reserve Fund**" shall mean the fund of that name authorized to be established by Section 4.07 of 2021 Series Resolution pursuant to Section 7.05 of the Master Bond Resolution.

"**2021 Reserve Requirement**" if any, shall mean an amount determined by the Authorized Representative in compliance with the provisions and requirements of the Code and the Master Bond Resolution.

"**2021 Series Resolution**" shall mean this resolution of the Board.

"**Authorized Representative**" shall mean either the Chief Executive Officer or the Chairman, either of whom may act individually as the Authorized Representative or on behalf of the Authorized Representatives, but for purposes of making the determinations provided for under Articles IV and V of this 2021 Series Resolution, the Chief Executive Officer shall constitute the sole Authorized Representative, except under the conditions set forth in such Article V.

"**Bond Payment Date**" shall mean, with respect to Series 2021 Bonds, the dates selected by the Authorized Representative pursuant to Article V in accordance with 4.03 hereof.

"**Book-Entry System**" shall mean, with respect to the Series 2021 Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in the Series 2021

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Bonds may be transferred only through a book-entry, and (ii) physical Series 2021 Bonds in fully registered form are registered only in the name of a Securities Depository or its Securities Depository Nominee. The book-entry maintained by the Securities Depository is the record that identifies the owners of participatory interests in the Series 2021 Bonds, when subject to the Book-Entry System.

“**Capitalized Interest**” shall mean with respect to the interest due or to become due on the Series 2021 Bonds during the Capitalized Interest Period, all or part of which is expected to be paid from the proceeds of the Series 2021 Bonds.

“**Capitalized Interest Period**” shall mean the period of time beginning from the Date of Issue of the Series 2021 Bonds through such date as may be determined by an Authority Representative acting on the advice of the Financial Advisor.

“**Chairman**” shall mean the Chairman of Board. The term includes the Vice-Chairman whenever, by reason of absence or illness or other reason, the person is the Chairman is unable to act.

“**Chief Executive Officer**” shall mean the Chief Executive Officer of the Authority.

“**Date of Issue**” shall mean, with respect to a Series of Series 2021 Bonds, the date determined under Article V in accordance with Section 4.03 hereof.

“**DTC**” means The Depository Trust Company, New York, New York.

“**Financial Advisor**” means the municipal advisor engaged by the Authority to provide advice related to the Series 2021 Bonds.

“**Governmental Unit**” means a state or local governmental unit within the meaning of Section 141(b) of the Code.

“**Insurer**” shall mean the institution, if any, chosen by the Authority, acting through an Authority Representative, to insure the Series 2021 Bonds.

“**Municipal Bond Insurance Policy**” shall mean, with respect to the Series 2021 Bonds, the Municipal Bond Insurance Policy (as such term is defined in the Bond Resolution) if any, chosen by the Authority, acting through the Authorized Officer, insuring the payment, when due, of the principal of and interest on the Series 2021 Bonds.

“**Nongovernmental Person**” shall mean any Person other than a Governmental Unit.

“**Person**” shall mean firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities, including public bodies, as well as natural persons.

“**Securities Depository**” shall mean DTC, or another recognized securities depository selected by the Board, which securities depository maintains a Book-Entry System in respect of

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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 of adoption of this 2021 Series Resolution.

[End of Article III]

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the Series 2021 Bonds, 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 the Registrar the Series 2021 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. Cede & Co. shall serve as the initial Securities Depository Nominee hereunder.

“**Serial Bonds**” shall mean any Series of the 2021 Bonds which are stated to mature in installments and for which there are no mandatory sinking fund provisions.

“**Series 2021 Bonds**” shall mean the one or more Series of Bonds authorized and designated by Section 4.01 of this 2021 Series Resolution.

“**South Carolina Code**” shall mean the Code of Laws of South Carolina 1976, as from time to time amended.

“**Taxable Bonds**” has the meaning given such term in Section 9.01(E) hereof.

“**Term Bonds**” shall mean any of the Series 2021 Bonds 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 Regions Bank, its successors and assigns.

Section 2.02 Authority for this 2021 Series Resolution.

This 2021 Series Resolution is adopted pursuant to the provisions of the Master Bond Resolution.

[End of Article II]

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ARTICLE IV

AUTHORIZATION AND TERMS OF THE SERIES 2021 BONDS

Section 4.01 Principal Amount; Designation of Series 2021 Bonds.

(A) Pursuant to the provisions of the Master Bond Resolution, one or more Series of Bonds of the Authority entitled to the benefits, protection, and security of the provisions of the Master Bond Resolution is hereby authorized in the aggregate principal amount of not exceeding Twenty-Eight Million Dollars (\$28,000,000); such Series of Bonds so authorized shall be designated as the “Kershaw County and Lee County Regional Water Authority, South Carolina Water System Improvement Revenue Bonds, Series 2021” (the “**Series 2021 Bonds**”) and shall bear a numeric or alphanumeric 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. The Series 2021 Bonds may be sold as a single Series or from time to time as multiple Series bearing any such designation as appropriate. References herein to the Series 2021 Bonds shall include all Series of Bonds authorized by this 2021 Series Resolution. As authorized by Section 9.01(E) hereof, any Series of the Series 2021 Bonds may be issued as Taxable Bonds, and in such event it shall bear an appropriate designation so as to distinguish its tax status.

(B) Should the Series 2021 Bonds not be issued in calendar year 2021, the designation for the Series 2021 Bonds and all other references to “2021” recited herein shall be changed to appropriately reflect the year of such actual issuance. References herein to the Series 2021 Bonds shall include all Series of Bonds.

Section 4.02 Purposes of the Series 2021 Bonds.

The Series 2021 Bonds are authorized for the principal purposes of:

(A) funding the 2021 Debt Service Reserve Fund, if any, in an amount equal to the 2021 Reserve Requirement in a manner permitted by the Master Bond Resolution;

(B) providing funds for Capitalized Interest during the Capitalized Interest Period;

(C) defraying the costs of the Project; and

(D) paying certain costs and expenses relating to the issuance of the Series 2021 Bonds, including payment of any premium due on any Municipal Bond Insurance Policy or other credit enhancement.

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Section 4.03 Date of Issue; Interest Rates; Maturity; Redemption.

(A) The Date of Issue of each Series of Series 2021 Bonds shall be the date of delivery thereof, subject to an alternate designation by the Authorized Representative pursuant to Article V hereof. Series 2021 Bonds shall mature in such principal amounts and shall bear interest at such rates, not to exceed 6% per annum, as may be determined by an Authorized Representative pursuant to Article V hereof provided that the final maturity of the Series 2021 Bonds shall not extend beyond thirty years from the Date of Issue. The Series 2021 Bonds shall mature as Serial Bonds or Term Bonds, with such mandatory sinking fund installments as are set forth in a schedule approved by the Authorized Representative prior to or simultaneously with the issuance of such Series 2021 Bonds.

(B) Principal of and interest on any Series of Series 2021 Bonds shall be payable on such Bond Payments Dates as are determined by the Authorized Representative pursuant to Article V hereof. Principal of and interest on the Series 2020 Bonds shall be payable in any coin or currency of the United States which at the time of payment is legal tender for the payment of public and private debts. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Consistent with the terms of the Master Bond Resolution, the Record Dates for the payment of interest on Series 2021 Bonds shall be the 15th day of the month prior to each Bond Payment Date.

(C) Series 2021 Bonds may be subject to redemption prior to maturity, upon such terms and conditions, and at such redemption prices, as may be established by an Authorized Representative pursuant to Article V hereof prior to or simultaneously with the issuance of the applicable Series of Series 2021 Bonds.

Section 4.04 Authentication; Payment of Series 2021 Bonds.

(A) Series 2021 Bonds shall be authenticated by the Trustee on or before such date as they shall, in each case, be delivered. Each of the Series 2021 Bonds shall bear interest from its respective 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 authentication of such Series 2021 Bonds.

(B) The Principal Installments and interest on the Series 2021 Bonds shall be paid by check or draft mailed from the office of the Trustee to the person in whose name each of the Series 2021 Bonds is registered at the close of business on the Record Date; provided, however, that any Holder of such Series 2021 Bonds in the aggregate principal amount of \$1,000,000 or more may request (in writing at least twenty (20) days prior to the respective Bond Payment Date, delivered to the paying agent), that payments be made by wire transfer to such Holder at an account maintained by a financial institution located in the continental United States specified in such request.

(C) Presentment of the Series 2021 Bonds for payment shall not be required, except for the final payment of the principal and interest thereon or upon such other condition or indicia

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and this 2021 Series Resolution, and also all reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under the Master Bond Resolution and this 2021 Series Resolution.

The Series 2021 Bonds 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 Series 2021 Bonds may be served, at the corporate trust office of the Trustee.

The Trustee shall be a member of the Federal Deposit Insurance Corporation (the "FDIC") and shall remain such a member throughout the period during which it shall act as Trustee, Paying Agent, and Registrar. The Trustee, in its capacity as Trustee, Paying Agent, and Registrar, shall accept its appointment by a written instrument embodying its agreement to remain a member of the FDIC. Unless the same be secured as trust funds in the manner provided by the applicable regulations of the Comptroller of the Currency of the United States of America, and unless otherwise provided for in the Master Bond Resolution and in this 2021 Series Resolution, all moneys in the custody of the Trustee in excess of the amount of such deposit insured by the FDIC, shall be secured by Government Obligations at least equal to the sum on deposit and not insured by the FDIC.

Section 4.09 Form of Series 2021 Bond.

The Series 2021 Bonds, together with the certificate of authentication, certificate of assignment and/or statement of insurance, if any, are to be in substantially the form attached hereto as Exhibit A with such necessary and appropriate variations, omissions, and insertions as permitted or required upon advice of Bond Counsel and as determined by an Authorized Representative, or as otherwise authorized by the Master Bond Resolution or this 2021 Series Resolution. The execution of the Series 2021 Bonds shall constitute conclusive evidence of the approval of any changes to the form of any Series 2021 Bond.

Section 4.10 Book-Entry System.

Pursuant to Section 4.19 of the Master Bond Resolution, any Series of Series 2021 Bonds may be held under a Book-Entry System of a securities depository as determined pursuant to Article V hereof.

(A) Notwithstanding anything to the contrary herein, so long as the Series 2021 Bonds are being held under a Book-Entry System of a securities depository, transfers of beneficial ownership of the Series 2021 Bonds will be effected pursuant to rules and procedures established by such securities depository. If held under a Book-Entry System, the initial securities depository for the Series 2021 Bonds will be DTC, DTC and Cede & Co., and any-successor securities depositories and successor securities depository nominees, are hereinafter referred to as the "Securities Depository" and "Securities Depository Nominees" respectively.

(B) As long as a Book-Entry System is in effect for the Series 2021 Bonds, the Securities Depository Nominee will be recognized as the Holder of the Series 2021 Bonds for the

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of satisfaction as may be mutually agreed-upon by the Authority and the Holder of such Series 2021 Bonds.

Section 4.05 Denomination of Series 2021 Bonds.

(a) Series 2021 Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof. Each Series 2021 Bond shall be numbered by the Trustee in such a fashion as to reflect the fact that it is one of the Series 2021 Bonds, and to identify the owner thereof on the books kept by the Registrar. The initial maturity of each Series of Series 2021 Bonds shall be numbered R-1, and thereafter sequentially "R-" numbered for identification.

(b) As necessary for the marketability and sale of the Series 2021 Bonds, the Authorized Representative may determine to authorize any Serial Bonds to be issued with split serial maturities.

Section 4.06 Establishment of 2021 Debt Service Fund.

In accordance with Section 7.04 of the Master Bond Resolution, the 2021 Debt Service Fund is hereby directed to be established by the Trustee on the Date of Issue of the Series 2021 Bonds for the benefit of the Holders of the Series 2021 Bonds. In the event that more than one Series of Series 2021 Bonds is issued pursuant to the terms of this 2021 Series Resolution, a Debt Service Fund (and any applicable subaccounts permitted under the Master Bond Resolution) shall be established for each such Series.

Section 4.07 2021 Debt Service Reserve Fund.

In accordance with Section 7.05 of the Master Bond Resolution and the terms of this 2021 Series Resolution, if an Authorized Representative, acting on the advice of the Financial Advisor, determines that the 2021 Debt Service Reserve Fund is necessary and desirable, he shall direct the Trustee to establish such 2021 Debt Service Reserve Fund. If established, the 2021 Debt Service Reserve Fund shall be maintained by the Trustee in accordance with the provisions of the Master Bond Resolution in an amount equal to the 2021 Reserve Requirement, as may be determined in accordance with Article V hereof. The 2021 Debt Service Reserve Fund, if established, may be funded by cash or another method permitted by Section 7.05(D) of the Master Bond Resolution, such method of funding to be determined by an Authorized Representative. In the event that more than one Series of Series 2021 Bonds is issued pursuant to the terms of this 2021 Series Resolution, a Debt Service Reserve Fund may be established for any such Series and shall be maintained in accordance with this Section in an amount equal to the Reserve Requirement with respect to such Series of Bonds.

Section 4.08 Appointment of Trustee, Paying Agent and Registrar.

Regions Bank is hereby appointed as Trustee, Paying Agent, and Registrar under the Master Bond Resolution and this 2021 Series Resolution. The Trustee shall signify its acceptance of the duties of Trustee, Paying Agent and Registrar upon delivery of the Series 2021 Bonds. The Authority shall pay to the Trustee from time to time reasonable compensation based on the then-standard fee schedule of such parties for all services rendered under the Master Bond Resolution

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purposes of: (i) paying the Principal Installments, interest, and Redemption Price, if any, on such Series 2021 Bonds, (ii) selecting the portions of such Series 2021 Bonds to be redeemed, if Series 2021 Bonds are to be redeemed in part, (iii) giving any notice permitted or required to be given to Bondholders under this 2021 Series Resolution, (iv) registering the transfer of Series 2021 Bonds, and (v) requesting any consent or other action to be taken by the Holders of such Series 2021 Bonds, and for all other purposes whatsoever, and the Authority shall not be affected by any notice to the contrary.

(C) The Authority shall not have any responsibility or obligation to any participant, any beneficial owner or any other person claiming a beneficial ownership in any Series 2021 Bonds which are registered to a Securities Depository Nominee under or through the Securities Depository with respect to any action taken by the Securities Depository as Holder of such Series 2021 Bonds.

(D) The Paying Agent shall pay all Principal Installments, interest and Redemption Price, if any, on Series 2021 Bonds issued under a Book-Entry System, only to the Securities Depository or the Securities Depository Nominee, as the case may be, for such Series 2021 Bonds, and all such payments shall be valid and effectual to fully satisfy and discharge the obligations with respect to the Principal Installments of, interest on, and redemption price, if any, of such Series 2021 Bonds.

(E) In the event that the Authority determines that it is in the best interest of the Authority to discontinue the Book-Entry System of transfer for the Series 2021 Bonds, or that the interests of the beneficial owners of the Series 2021 Bonds may be adversely affected if the Book-Entry System is continued, then the Authority shall notify the Securities Depository of such determination. In such event, the Registrar shall authenticate, register and deliver physical certificates for the Series 2021 Bonds in exchange for the Series 2021 Bonds registered in the name of the Securities Depository Nominee.

(F) In the event that the Securities Depository for the Series 2021 Bonds discontinues providing its services, the Authority shall either engage the services of another Securities Depository or arrange with a Registrar for the delivery of physical certificates in the manner described in subsection (E) above.

(G) In connection with any notice or other communication to be provided to the Holders of Series 2021 Bonds by the Authority or by the Registrar with respect to any consent or other action to be taken by the Holders of Series 2021 Bonds, the Authority or the Registrar, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository Nominee notice of such record date not less than 15 days in advance of such record date to the extent possible.

(H) At the closing of any Series 2021 Bonds and the delivery of the same to the purchaser thereof through the facilities of DTC, the Trustee may maintain custody of Bond certificates on behalf of DTC in accordance with DTC's "FAST" closing procedures.

[End of Article IV]

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ARTICLE V

CERTAIN DELEGATIONS AND AUTHORIZATIONS

Section 5.01 Certain Delegations.

The Board hereby expressly delegates to an Authorized Representative the authority, with respect to the Series 2021 Bonds, to determine, in connection with any Series of Series 2021 Bonds issued hereunder:

- (A) whether to issue the Series 2021 Bonds as a single Series or from time to time in several Series;
(B) the manner of sale of such Series 2021 Bonds in accordance with Article VIII hereof;
(C) whether to create and distribute preliminary and final Official Statements in connection with the issuance of such Series 2021 Bonds;
(D) the award, or selection of underwriter, of such Series 2021 Bonds in accordance with Article VIII hereof;
(E) the final form of such Series 2021 Bonds, whether to modify the Series designation in accordance with Section 4.01 hereof, and the exact principal amount of such Series 2021 Bonds, not to exceed \$28,000,000 in the aggregate together with any other Series of Series 2021 Bonds;
(F) whether and the extent to which such Series of Series 2021 Bonds shall be issued as Serial Bonds or Term Bonds;
(G) the Date of Issue (if other than the date of delivery), Bond Payment Dates, rate or rates of interest obtained using the sale procedures of Article VIII hereof, maturity schedule, and the final maturity of each Series of Series 2021 Bonds; not to exceed 30 years from the Date of Issue of the initial Series of Series 2021 Bonds issued hereunder;
(H) whether such Series 2021 Bonds shall be subject to optional or mandatory redemption prior to maturity, and if so, the Redemption Prices applicable thereto;
(I) whether such Series 2021 Bonds shall be issued in book-entry form and held under a Book-Entry System as permitted by Section 4.18 of the Master Bond Resolution and as further described in Section 4.10 herein;
(J) whether to obtain and utilize a Municipal Bond Insurance Policy, and if so, to make appropriate arrangements therefor, including the execution and delivery of agreements associated therewith;

ARTICLE VI

EXECUTION; NO RECOURSE

Section 6.01 Execution of the Series 2021 Bonds.

The Series 2021 Bonds shall be executed and attested by the Chairman and Secretary, respectively, in accordance with the applicable provisions of the Master Bond Resolution; however, in the absence of the Chairman or Secretary for any reason, an Authorized Officer shall be authorized to either execute the Series 2021 Bonds or attest to the execution of the Series 2021 Bonds on behalf of the absent party; however, in no event shall the Authorized Officer be permitted to both execute and attest to the Series 2021 Bonds. If acting on behalf of an absent person, such Authorized Officer shall be authorized to execute, sign, certify or attest any documentation otherwise required of the Chairman or Secretary respecting the issuance and delivery of the Series 2021 Bonds.

Facsimiles or electronic signatures by the Chairman, Secretary or any Authorized Officer are expressly authorized and permitted with respect to the Series 2021 Bonds and all closing documents and certificates associated therewith.

Section 6.02 No Recourse on the Series 2021 Bonds.

All covenants, stipulations, promises, agreements and obligations of the Authority contained in the Master Bond Resolution or in this 2021 Series Resolution shall be deemed to be the covenants, stipulation, promises, agreements and obligations of the Authority and not those of any 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 2021 Bonds or for any claim based thereon or on the Master Bond Resolution or on this 2021 Series Resolution, either jointly or severally, against any officer or employee of the Authority or any person executing the Series 2021 Bonds.

[End of Article VI]

(K) whether to establish a 2021 Reserve Requirement for such Series 2021 Bonds and to establish a 2021 Debt Service Reserve Fund in accordance with Section 4.07 hereof;

(L) whether to obtain a credit facility as permitted by Section 7.05(D) of the Master Bond Resolution to satisfy the 2021 Reserve Requirement, if established under 5.01(K) above, and if so, to make appropriate arrangements therefor, including the execution and delivery of agreements associated therewith.

(M) whether such Series 2021 Bonds will be designated as "qualified tax-exempt obligations" pursuant to the Code;

(N) whether such Series of Series 2021 Bonds shall be issued on a taxable basis;

(O) the form of any agreement relating to, and manner of provision of, any continuing financial and operating disclosures as described at Sections 8.04 and 9.02 hereof; and

(P) such other matters regarding the Series 2021 Bonds as are necessary or appropriate.

Section 5.02 Authorization of Chairman to Act.

In the absence or unavailability of the Chief Executive Officer, the Board hereby authorizes the Chairman of the Board to fulfill all of the functions and responsibilities delegated to the Chief Executive Officer in this 2021 Series Resolution, including, without limitation, the delegations prescribed in this Article V. In providing such authorization, either the Chairman or the Chief Executive Officer, individually, or acting together, shall be authorized to perform any of the duties and responsibilities delegated to the Chief Executive Officer in this 2021 Series Resolution.

[End of Article V]

ARTICLE VII

APPLICATION OF BOND PROCEEDS

Section 7.01 Use and Disposition of Bond Proceeds.

Upon the delivery of any Series 2021 Bonds and receipt of the proceeds thereof, net of underwriter's discount, such funds shall be applied as follows:

(A) if an Authorized Representative determines to fund the 2021 Debt Service Reserve Fund, the sum or instrument equal to the 2021 Reserve Requirement, whether in cash or otherwise, shall be deposited into the 2021 Debt Service Reserve Fund;

(B) the sum necessary to pay Capitalized Interest on the Series 2021 Bonds, if any, shall be deposited into the 2021 Capitalized Interest Fund; and

(C) the remaining sums shall be deposited into the 2021 Construction Fund and shall be used to defray the costs of the Project, including the reimbursement to the Authority for costs of the Project previously incurred by the Authority, and paying of costs of issuance of the Series 2021 Bonds, which further includes payment of any premium due on any Municipal Bond Insurance Policy or credit enhancement.

Section 7.02 Costs of Issuance; Excess Funds.

Monies received by the Authority under Section 7.01(C) and earmarked for the payment of costs of issuance shall be deposited with the Trustee in the 2021 COI Account and used to pay costs of issuance of the Series 2021 Bonds. The 2021 COI Account may be established as a sub-account of the 2021 Construction Fund.

All monies received under Section 7.01(C) shall be fully expended by the Authority within six months of the date of issuance of the Series 2021 Bonds. After all costs of issuance have been paid, any excess monies shall be transferred to the 2021 Debt Service Fund and used to pay principal and interest on the Series 2021 Bonds as the same comes due.

Section 7.03 Establishment of 2021 Construction Fund and Investment of Moneys Deposited Therein.

There is hereby established, in accordance with Section 4.01 of the Master Bond Resolution, the 2021 Construction Fund. There shall be paid into the 2021 Construction Fund the sums prescribed under Section 7.01(C) hereof. The 2021 Construction Fund shall be held, maintained and controlled by the Trustee, unless otherwise determined by an Authority Representative at closing of the Series 2021 Bonds.

In the event that more than one Series of Series 2021 Bonds is issued pursuant to the terms of this 2021 Series Resolution, an Authorized Representative may authorize the creation of subaccounts within 2021 Construction Fund as necessary to keep such funds separate or segregated for accounting, tax or any other purpose.

ARTICLE VIII

SALE OF BONDS

Moneys in the 2021 Construction Fund shall be invested and reinvested in Authorized Investments. All earnings shall be added to and become a part of the 2021 Construction Fund, or the respective subaccount to which such earnings accrue. Withdrawals from the 2021 Construction Fund shall be made upon written order of the Authority. Any amounts remaining in the 2021 Construction Fund following completion of the construction of the Project shall be used to pay principal or interest on the Series 2021 Bonds.

Section 7.04 Establishment of 2021 Capitalized Interest Fund and Investment of Moneys Deposited Therein.

There is hereby established, in accordance with Section 4.01 of the Master Bond Resolution, the 2021 Capitalized Interest Fund; such fund shall be held by the Trustee and used to pay Capitalized Interest on the Series 2021 Bonds during the Capitalized Interest Period, if any. The 2021 Capitalized Interest Fund may be established as a sub-account of the 2021 Debt Service Fund.

Moneys in the 2021 Capitalized Interest Fund shall be invested and reinvested in Authorized Investments. All earnings shall be added to and become a part of the 2021 Capitalized Interest Fund. Withdrawals from the 2021 Capitalized Interest Fund shall be made as necessary to fund interest costs on the Series 2021 Bonds as the same fall due.

[End of Article VII]

“final” for purposes of Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”). The Authorized Representative is further authorized to see to the completion of the final form of the official statement upon the sale of such Series 2021 Bonds so that it may be provided to the underwriter of such Series 2021 Bonds. The execution and delivery of the final official statement by an Authorized Representative shall constitute conclusive evidence of the Authority’s approval thereof. In connection with any offering under this Section 8.02(B), an Authorized Representative is authorized to perform all actions necessary to comply with Rule 15c2-12 and any other applicable securities laws.

Section 8.03 Negotiated Sale.

Any Series 2021 Bonds sold on a negotiated basis may be sold pursuant to either of the following methods as determined by an Authorized Representative.

- (A) Negotiated Direct Placement. Any Series 2021 Bonds may be sold to a Direct Placement Purchaser as a means of making a commercial loan pursuant to negotiation, with or without providing for distribution of an RFP. In such case, the Board authorizes an Authorized Representative to solicit, or cause to be solicited, financing proposals from prospective purchasers of Series 2021 Bonds and award the Series 2021 Bonds after negotiation with prospective purchasers. Such Series 2021 Bonds shall be issued as a single Series (or separate single Bonds if the Series 2021 Bonds are sold in multiple Series), without CUSIP identification (unless otherwise agreed by the Direct Placement Purchaser and an Authorized Representative on behalf of the Authority). The Direct Placement Purchaser of such Series 2021 Bonds shall execute an investor letter to the Authority acknowledging its purchase of the Series 2021 Bonds as a means of making a commercial loan.
(B) Negotiated Public Offering. Any Series 2021 Bonds may be sold to an underwriter pursuant to the terms of the bond purchase agreement for resale in the public capital markets. The bond purchase agreement shall be executed by an Authorized Representative upon advice of Bond Counsel and the Financial Advisor. The execution of the Bond Purchase Agreement by such Authorized Representative shall constitute conclusive evidence of his or her approval thereof. In such case, the Board hereby authorizes an Authorized Representative to prepare, or cause to be prepared, a preliminary official statement and authorize the distribution of the preliminary official statement by the underwriter. The Board authorizes an Authorized Representative to designate the preliminary official statement as “final” for purposes of Rule 15c2-12. Such Authorized Representative is further authorized to see to the completion of the final form of the official statement upon the sale of such Series 2021 Bonds so that it may be provided to the underwriter. The execution and delivery of the final official statement by an Authorized Representative shall constitute conclusive evidence of the Authority’s approval thereof. In connection with any offering under this Section 8.03(B), an Authorized Representative is authorized to perform all actions necessary to comply with Rule 15c2-12 and any other applicable securities laws.

Section 8.01 Sale of Bonds.

The Series 2021 Bonds may be sold on a competitive basis as set forth at Section 8.02 hereof, or on a negotiated basis as set forth at Section 8.03 hereof, as determined by an Authorized Representative.

Section 8.02 Competitive Sale.

The Series 2021 Bonds may be sold at a date and time certain after public notice thereof. Bids may be received at such time and date and in such manner as determined by an Authorized Representative. Unless all bids are rejected, the award of the Series 2021 Bonds may be made by an Authorized Representative to the bidder offering the most advantageous terms to the Authority, with the basis of such award and the date and time certain for opening bids to be set forth in a request for proposals used in connection with the sale of the Series 2021 Bonds (the “RFP”).

Any Series of Series 2021 Bonds sold on a competitive sale basis may be sold pursuant to either of the following methods as determined by an Authorized Representative:

- (A) Competitive Direct Placement. Any Series 2021 Bonds may be sold to an institution or institutions as a single instrument as a means of making a commercial loan (a “Direct Placement Purchaser”). The Board authorizes an Authorized Representative to distribute the RFP to prospective purchasers of Series 2021 Bonds and award such Series 2021 Bonds to a Direct Placement Purchaser on the basis of the terms and conditions contained therein. Such Series 2021 Bonds shall be issued as a single Bond (or separate single Bonds if the Series 2021 Bonds are sold in multiple Series), without CUSIP identification (unless otherwise agreed by the Direct Placement Purchaser and an Authorized Representative on behalf of the Authority), and shall not be issued in book-entry-only form. No official statement shall be prepared in connection with the sale of such Series 2021 Bonds; however, a limited offering memorandum may be prepared upon the advice of the Financial Advisor. The Direct Placement Purchaser of any such Series 2021 Bonds shall execute an investor letter to the Authority acknowledging its purchase of such Series 2021 Bonds as a means of making a commercial loan.
(B) Competitive Public Offering. Any Series 2021 Bonds may be sold in the public capital markets to an underwriter for the purpose of reselling such Series 2021 Bonds. In such case, the Board hereby authorizes an Authorized Representative to prepare, or cause to be prepared, a preliminary official statement and distribute the preliminary official statement and the RFP (or official notice of sale) to prospective purchasers of Series 2021 Bonds. The Board authorizes an Authorized Representative to designate the preliminary official statement as

Section 8.04 Certain Financial Information to be Provided to Purchaser.

As requested by a Direct Placement Purchaser of the Series 2021 Bonds, the Authority may furnish, or agree or arrange to provide, financial information related to or affecting the System as the Direct Placement Purchaser may reasonably request or require, and as may be agreed upon between such Direct Placement Purchaser and the Authority. Upon reasonable notice, the Authority shall permit any Holder of the Series 2021 Bonds, or its agents and representatives, to inspect during regular business hours the Authority’s books and records relating to or affecting the System and to make extractions therefrom.

[End of Article VIII]

ARTICLE IX

TAX AND SECURITIES LAW COVENANTS

Section 9.01 Tax Covenants.

(A) *General Tax Covenant.* The Authority will comply with all requirements of the Code in order to preserve the tax-exempt status of the Series 2021 Bonds, including without limitation, (i) the requirement to file Form 8038-G, *Information Return for Tax-Exempt Government Obligations*, with the Internal Revenue Service, and (ii) the requirement to rebate certain arbitrage earnings to the United States Government pursuant to Section 148(f) of the Code. In this connection, the Authority covenants to execute any and all agreements or other documentation as it may be advised by Bond Counsel will enable it to comply with this Section 9.01, including its certification on reasonable grounds that the Series 2021 Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code.

(B) *Tax Representations.* The Authority hereby represents and covenants that it will not take any action which will, or fail to take any action which failure will, cause interest on the Series 2021 Bonds to become includable in the gross income of the Holders thereof for federal income tax purposes pursuant to the provisions of the Code. Without limiting the generality of the foregoing, the Authority represents and covenants that:

(1) All property financed or refinanced with the proceeds of the Series 2021 Bonds will be owned by the Authority or another political subdivision of the State so long as the Series 2021 Bonds are Outstanding in accordance with the rules governing the ownership of property for federal income tax purposes.

(2) The Authority shall not use, and will not permit any party to use, the proceeds of the Series 2021 Bonds, or any bonds refunded thereby, in any manner that would result in (i) 10% or more of such proceeds being considered as having been used directly or indirectly in any trade or business carried on by any Nongovernmental Person, (ii) 5% or more of such proceeds being considered as having been used directly or indirectly in any trade or business of any Nongovernmental Person that is either “unrelated” or “disproportionate” to the governmental use of the financed facility by the Authority or by any other Governmental Unit (as the terms “unrelated” and “disproportionate” are defined for purposes of Section 141(b)(3) of the Code) or (iii) 5% or more of such proceeds being considered as having been used directly or indirectly to make or finance loans to any Nongovernmental Person.

(3) The Authority is not a party to, and will not enter into or permit any other party to enter into, any contract with any person involving the management of any facility financed or refinanced with the proceeds of the Series 2021 Bonds or by notes paid by the Series 2021 Bonds that does not conform to the guidelines set forth in Revenue Procedure 2017-13, or a successor revenue procedure or Code provision.

(4) The Authority will not sell, or permit any other party to sell, any property financed or refinanced with the Series 2021 Bonds to any person unless it obtains an

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Section 9.02 Securities Law Covenants.

(A) The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of any continuing disclosure certificate or agreement, executed by an Authorized Representative and dated the date of delivery of the Series 2021 Bonds, which will meet the requirements, as applicable, of Section 11-1-85 of the South Carolina Code, which may require, among other things, that the Authority file with a central repository, when requested:

- (1) a copy of its annual independent audit within 30 days of its receipt and acceptance, and
- (2) event-specific information, within 30 days of an event adversely affecting more than five percent of its revenues.

The only remedy for failure by the Authority to comply with the covenants in this Section 9.02 shall be an action for specific performance of this covenant. The Authority specifically reserves the right to amend this covenant to reflect any change in Section 11-1-85 of the South Carolina Code, without the consent of any Bondholder.

(B) The Authority hereby covenants and agrees that it will comply with and carry out all of the provisions of any continuing disclosure certificate, executed by an Authorized Representative and dated the date of delivery of the Series 2021 Bonds, which will meet the requirements, as applicable, of Rule 15c2-12 (the “*Continuing Disclosure Undertaking*”). Notwithstanding any other provision of this 2021 Series Resolution, failure of the Authority to comply with the Continuing Disclosure Undertaking shall not be considered an event of default hereunder; however, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Authority to comply with its obligations under this Section. The execution of the Continuing Disclosure Undertaking shall constitute conclusive evidence of the approval by the person executing the same of any and all modifications and amendments thereto. Additionally, an Authorized Representative is authorized to contract with a dissemination agent for certain dissemination services associated with the execution and delivery of the Continuing Disclosure Undertaking.

(C) In the event any Series 2021 Bonds are not sold as securities, but rather sold to a Direct Placement Purchaser as a commercial loan, no Continuing Disclosure Undertaking shall be required as to such Series 2021 Bonds, but the Authority may covenant to provide information to the Direct Placement Purchaser as may be mutually agreed.

[End of Article IX]

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opinion of nationally recognized bond counsel that such sale will not affect the tax-exempt status of the Series 2021 Bonds.

(5) The Series 2021 Bonds will not be “federally guaranteed” within the meaning of Section 149(b) of the Code. The Authority shall not enter into, or permit any other party to enter into, any leases or sales or service contract with any federal government agency with respect to any facility financed or refinanced with the proceeds of the Series 2021 Bonds and will not enter into any such leases or contracts unless it obtains the opinion of nationally recognized bond counsel that such action will not affect the tax-exempt status of the Series 2021 Bonds.

(C) *Arbitrage Bonds, Rebate.* The Authority covenants that no use of the proceeds of the sale of the Series 2021 Bonds shall be made which, if such use had been reasonably expected on the Date of Issue of such Series 2021 Bonds would have caused the Series 2021 Bonds to be “arbitrage bonds” as defined in the Code, and to that end the Authority shall:

(1) comply with the applicable regulations of the Treasury Department previously promulgated under Section 103 of the Internal Revenue Code of 1954, as amended, and any regulations promulgated under the Code, so long as the Series 2021 Bonds are Outstanding;

(2) establish such funds, make such calculations and pay such amounts, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebate of certain amounts to the United States Government;

(3) make such reports of such information at the time and places required by the Code; and

(4) take such other action as may be required to assure that the tax-exempt status of the Series 2021 Bonds will not be impaired.

(D) *Tax Certificate.* An Authorized Representative is hereby authorized and directed to execute, at or prior to delivery of any Series 2021 Bonds, a certificate or certificates specifying actions taken or to be taken by the Authority, and the reasonable expectations of such officials, with respect to such Series 2021 Bonds, the proceeds thereof, or the Authority.

(E) *Taxable Bonds.* Prior to the issuance of the Series 2021 Bonds, an Authorized Representative may, pursuant to Article V hereof, in consultation with Bond Counsel, designate a Series of Series 2021 Bonds as taxable under the Code. The election to issue a Series of Taxable Bonds shall be clearly indicated by including the phrase “Taxable Series,” or words to that effect, in the series designation of such Taxable Bonds. The above provisions of this Section 9.01 shall not be applicable to any Series of Taxable Bonds.

ARTICLE X

MISCELLANEOUS

Section 10.01 Severability.

If any one or more of the covenants or agreements provided in this 2021 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 2021 Series Resolution.

Section 10.02 Further Action.

The Board authorizes the Authorized Representatives to execute and sign all other documents, certificates, and agreements necessary or convenient to effect the purchase and sale of the Series 2021 Bonds.

Section 10.03 Professional Services.

The Board hereby authorizes, approves or ratifies, as applicable, the engagement of First Tryon Advisors to act as Financial Advisor, Stephens, Inc. to serve as underwriter, and Pope Flynn, LLC to act as Bond Counsel and disclosure counsel (if applicable) in connection with the issuance of the Series 2021 Bonds and authorizes (or ratifies, as applicable) an Authorized Representative to engage the services of such other professionals and institutions of a type and in a manner customary in connection with the issuance of municipal bonds, including, but not limited to, contractual arrangements with other professionals, rating agencies, verification agents, financial and trust institutions, printers and the suppliers of other goods and services in connection with the sale, execution and delivery of the Series 2021 Bonds, as is necessary and desirable.

Section 10.04 Table of Contents and Section Headings Not Controlling.

The Table of Contents and the headings of the several articles and sections of this 2021 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 2021 Series Resolution.

Section 10.05 Resolution to Constitute Contract.

In consideration of the purchase and acceptance of Series 2021 Bonds by those who shall purchase and hold the same from time to time, the provisions of this 2021 Series Resolution shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of the Series 2021 Bonds, and such provisions are covenants and agreements with such Holder which the Authority hereby determines to be necessary and desirable for the security and payment thereof. The pledge hereof and the provisions, covenants and agreements herein set

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forth to be performed on behalf of the Authority shall be for the benefit, protection and security of the Holders of the Series 2021 Bonds.

Section 10.06 Ratification of Prior Action.

All prior actions of Authorized Representatives in furtherance of the purposes of this 2021 Series Resolution (including, but not limited to, any negotiated sale of Series 2021 Bonds or any solicitation of bids under the provisions of Article VIII hereof) are hereby approved, ratified and confirmed.

[End of Article X]

EXHIBIT A

(FORM OF BOND)

STATE OF SOUTH CAROLINA
KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
WATER SYSTEM IMPROVEMENT REVENUE BOND
SERIES 2021

No. R-1

Interest Rate Maturity Date Date of Issue CUSIP

Registered Holder: CEDE & CO.

Principal Amount: _____ DOLLARS (\$ _____)

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER 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 named above or registered assigns, the Principal Amount set forth above on the Maturity Date stated above, unless this Series 2021 Bond (this "Bond") be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender of this Bond at the corporate trust office of Regions Bank (the "Trustee") in the City of Atlanta, Georgia and to pay interest on such principal amount at the annual Interest Rate stated above (calculated on the basis of a 360-day year of twelve (12) 30-day months), until the obligation of the Authority with respect to the payment of such principal amount shall be discharged.

Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Master Bond Resolution or the Series Resolution. Certified copies of the Master Bond Resolution and the Series Resolution are on file in the office of the Trustee and in the offices of the Clerks of Court for Kershaw, Lee, Sumter and Lancaster Counties, South Carolina.

This Bond is one of an issue of Series 2021 Bonds in the aggregate principal amount of \$ _____ Dollars (\$ _____) (the "Series 2021 Bonds") of like tenor, except as to number, rate of interest, date of maturity and redemption provisions, issued pursuant to and in accordance with the Constitution and statutes of the State of South Carolina (the "State"), including particularly Chapter 36, Title 33 and Chapters 17 and 21, Title 6, Code of Laws of South Carolina 1976, as amended (the "Enabling Act"), a bond resolution duly adopted by the Board of Directors (the "Board"), the governing body of the Authority, on March 6, 2014 (the "Master Bond Resolution"), and a series resolution duly adopted by the Board on October 18, 2021 (the "Series Resolution") for the purpose of obtaining funds to (a) defray the costs of the Project (as defined in the Series Resolution); [and] (b) [provide funds for Capitalized Interest during the Capitalized Interest Period]; [(c)] [fund any Debt Service Reserve Fund established in connection with the Series 2021 Bonds]; [and (d)] pay certain costs of issuance of the Series 2021 Bonds, including payment of any premium due on any Municipal Bond Insurance Policy or

DONE, RATIFIED AND ADOPTED on this 18th day of October 2021.

KERSHAW COUNTY AND LEE COUNTY
REGIONAL WATER AUTHORITY, SOUTH
CAROLINA

(SEAL)

Renew Hally
Chairman, Board of Directors

Attest:

Angela McNeill
Secretary, Board of Directors

other credit enhancement .

The Date of Issue of the Series 2021 Bonds is set forth on the face hereof. The Series 2021 Bonds shall be authenticated on such dates as they shall, in each case, be delivered. Each Series 2021 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 Series 2021 Bond's authentication. Interest on this Bond is payable on _____ 1 and _____ 1 of each year beginning _____ 1, 202_ (each a "Bond Payment Date"). The interest so payable on any Bond Payment Date will be paid to the person in whose name this Bond is registered at the close of business on the _____ 15 or _____ 15 immediately preceding such Bond Payment Date (the "Record Date").

This Series 2021 Bond is being issued by means of a book-entry system with no physical distribution of bond certificates to be made except as provided in the Resolutions. One bond certificate with respect to each date on which the Series 2021 Bonds are stated to mature is being issued and is required to be deposited with the Securities Depository (as defined in the Master Bond Resolution) and immobilized in its custody. The book-entry system will evidence positions held in this Series 2021 Bond by the Securities Depository's participants (as described in the Series Resolution), beneficial ownership of the Series 2021 Bonds in the principal amount of \$5,000 or any multiple thereof being evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants.

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 Bond is registered on the Record Date at the address shown on the registration books; provided that any Holder of Series 2021 Bonds in the aggregate principal amount of \$1,000,000 or more may request, prior to the applicable Record Date, that interest payments be made by wire transfer to such Holder at an account specified in such request. The principal of, redemption premium, if any, and interest on this 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.

For the payment of the principal of and interest on this Series 2021 Bond and all Bonds issued pursuant to the Master Bond Resolution, there are hereby irrevocably pledged the Net Revenues of the System. Additionally, the Series 2021 Bonds are further secured by a statutory lien on the System as provided in Section 6-21-330 of the Code of Laws of South Carolina 1976, as amended. Such pledge and lien securing the Series 2021 Bonds shall have priority over all other pledges except those made to secure any Bonds (as defined hereinbelow) as may be currently outstanding or issued from time to time in the future under the provisions of the Master Bond Resolution.

THE FULL FAITH, CREDIT AND TAXING POWERS OF THE STATE OF SOUTH CAROLINA OR THE AUTHORITY ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THIS BOND, AND THIS BOND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE AUTHORITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION (OTHER THAN THOSE PROVISIONS PROVIDING FOR INDEBTEDNESS PAYABLE FROM A REVENUE-PRODUCING PROJECT OR A

SPECIAL SOURCE, WHICH SOURCE DOES NOT INVOLVE REVENUES FROM ANY TAX OR LICENSE PURSUANT TO THE PROVISIONS OF S.C. CONST. ART. X, SEC. 14 (10), BUT SHALL BE PAYABLE SOLELY FROM THE NET REVENUES.

In addition, the Master Bond Resolution authorizes the issuance of additional bonds from time to time on a parity with Series 2021 Bonds and any outstanding parity bonds which, when issued in accordance with the provisions of the Master Bond Resolution, will rank equally and be on a parity therewith (the "Additional Bonds" and together with the Series 2021 Bonds and any outstanding parity bonds, collectively, the "Bonds.")

The Authority has covenanted to continuously operate and maintain the System and fix and maintain such rates for the services and facilities furnished by the System as shall at all times be sufficient (a) to provide for the payment of Operation and Maintenance Expenses of the System, (b) to provide for the punctual payment of principal of and interest on all Bonds Outstanding, (c) to maintain the Debt Service Funds and thus provide for the punctual payment of the principal of and interest on all Bonds issued pursuant to the Master Bond Resolution, (d) to maintain the Debt Service Reserve Funds, if any, in the manner therein prescribed, (e) to pay all amounts owing under any reimbursement agreement with any provider of a surety bond, insurance policy or letter of credit used to fund a Debt Service Reserve Fund, (f) 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, (g) to provide for the punctual payment of principal of an interest on all Junior Lien Bonds Outstanding, and (h) to discharge all obligations imposed by the Enabling Act and the Bond Resolution.

The Master 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. Any such declaration shall be accompanied by notice to the appropriate parties recited in the Master Bond Resolution.

This Bond and the interest hereon are exempt from all State, county, municipal, school, Issuer, 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 and certain franchise taxes.

This Bond is transferable, as provided in the Master 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 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 Resolutions. Thereupon a new Bond or Bonds of the same aggregate principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Master Bond Resolution. The Authority, the Trustee and the Registrar may deem and treat the person in whose name this 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.

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IN WITNESS WHEREOF, KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY, SOUTH CAROLINA, has caused this Bond to be signed by the signature of the Chairman of its Board of Directors, its corporate seal to be reproduced hereon and the same to be attested by the signature of the Secretary of the Board of Directors, as of the ___ day of _____, 2021.

**KERSHAW COUNTY AND LEE COUNTY
REGIONAL WATER AUTHORITY,
SOUTH CAROLINA**

(SEAL)

By: _____
Chairman, Board of Directors

Attest:

By: _____
Secretary, Board of Directors

For every exchange or transfer of the Series 2021 Bonds, 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.

The Series 2021 Bonds maturing on or after ____ 1, 20____ shall be subject to redemption prior to maturity, at the option of the Authority on and after ____ 1, 20____ in whole or in part, at any time, upon thirty (30) days notice to each Bondholder from the Trustee, at a redemption price of par, plus interest accrued to the redemption date.

If less than all of the Series 2021 Bonds are to be redeemed, the particular Series 2021 Bonds or portions of Series 2021 Bonds to be redeemed shall be selected in such order of maturity as determined by the Authority. In the event of redemption of less than all of the Series 2021 Bonds of any maturity, the Series 2021 Bonds or portions of Bonds to be redeemed shall be selected by the Trustee by lot. Series 2021 Bonds in a denomination of more than \$5,000 may be redeemed in part from time to time in one or more units of \$5,000 in the manner provided in the Master Bond Resolution.

If any of the Series 2021 Bonds, or portions thereof, are called for redemption, the Trustee will give notice to the Holders of any such Series 2021 Bonds to be redeemed, in the name of the Authority, of the redemption of such Series 2021 Bonds, or portions thereof, which notice will specify the Series 2021 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2021 Bonds are to be redeemed, the numbers of such Series 2021 Bonds so to be redeemed, and, in the case of Series 2021 Bonds to be redeemed in part only, such notice will also specify the respective portions of the principal amount thereof to be redeemed. Such notice will be given by mailing a copy of the redemption notice by first class mail, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to each Holder of each Series 2021 Bond to be redeemed, at the address shown on the registration books; provided, however, that failure to give such notice by mail, or any defect in the notice mailed to the Holder of any Series 2021 Bond, shall not affect the validity of the proceedings for the redemption of any other Series 2021 Bond; provided, further, that additional information and different means of notification shall be afforded to Holders of \$1,000,000 or more aggregate principal amount of the Series 2021 Bonds, as provided in the Master Bond Resolution. Provided funds for their redemption are on deposit with the Paying Agent, all Series 2021 Bonds so called for redemption will cease to bear interest on the specified redemption date.

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 Bond, exist, have been performed and have happened, that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by such Constitution or statutes.

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

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(CERTIFICATE OF AUTHENTICATION)

This Bond is one of the Series 2021 Bonds of the issue described in the within mentioned Resolutions.

REGIONS BANK, as Registrar

By: _____
Authorized Signatory

Date: _____, 2021

(FORM OF ASSIGNMENT)

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

(please print or type name and address 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: _____
(Authorized 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.

[(STATEMENT OF INSURANCE)]

_____ has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Series 2021 Bond to _____, or its successor, as paying agent for the Series 2021 Bonds. Such policy is on file and available for inspection at the offices of the paying agent and a copy thereof may be obtained therefrom.]

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APPENDIX C

**FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE
FISCAL YEAR ENDED JUNE 30, 2020**

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**KERSHAW COUNTY AND LEE COUNTY
REGIONAL WATER AUTHORITY
CASSATT, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020**

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020

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**KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020**

COMMISSIONERS

<u>Name and Address</u>	<u>Office</u>	<u>Term Expires</u>
Roosevelt Halley	Chairman	2019
Julius Gause	Commissioner	2018*
Ollie Thompson	Commissioner	2016*
Bettie Toney	Commissioner	2016*
Tony M. Davis	Commissioner	2019
Kenneth Carter	Chaplain	2016*
Furman Fountain	Vice Chairman	2015*
Derrick Brown	Commissioner	2015*
Eddie Thomas	Commissioner	2019

*These commissioners' terms have expired. Each commissioners' application for reappointment has been submitted by the local legislation to the governor's office for his signature pursuant to the appointment procedure defined in our enabling legislation.

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29021

FOUNDED 1959

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R. MARC WOOD
SHANE E. KIRKLEY, CPA
B. KEACH JORDAN, CPA
MARC A. QUIGLEY, CPA

REBECCA M. LEE, CPA
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December 8, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Kershaw County and Lee County Regional Water Authority
Cassatt, SC 29032

We have audited the accompanying financial statements of the business-type activities of Kershaw County and Lee County Regional Water Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Kershaw County and Lee County Regional Water Authority, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 8 and 25 through 26 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kershaw County and Lee County Regional Water Authority's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of the Kershaw County and Lee County Regional Water Authority's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

**KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020**

In accordance with the new Governmental Accounting Standards, management is required to make an appraisal of the Authority's financial condition. Management's assessment of the Authority's financial performance for the fiscal year ended June 30, 2020, follows below and is presented in conjunction with our audited basic financial statements.

Financial Highlights for Fiscal Year 2020

- The Company's net position increased by \$1,263,528 from \$17,419,057 to \$18,682,585.
- Program revenues increased by \$62,295 from \$5,580,051 to \$5,642,346.

Overview of the Financial Statements

This annual report consists of the following four parts: management's discussion and analysis, the basic financial statements, required supplementary information and the compliance section. The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Required Financial Statements

The financial statements of the Authority report information utilizing the full accrual basis of accounting. The Authority has only one fund, which is a proprietary fund. This fund accounts for the services provided to users and the cost associated with those services. The financial statements conform to accounting principles, which are generally accepted in the United States of America. The Statement of Net Position includes information on the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Company creditors (liabilities). The Statement of Revenues, Expenses, and Changes in Net Position reports The Authority's revenues and expenses for the year ended on June 30, 2020. This statement provides information on the Authority's operations and can be used to determine if The Authority has recovered all of its actual and projected costs through user fees and other charges. The Statement of Cash Flows provides information on the Authority's cash receipts, cash payments, and changes in cash resulting from operations, investments, and financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the source and use of cash and the change in the cash balance.

Financial Analysis of The Authority

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position provide an indication of the Authority's financial condition. The Authority's net position reflects the difference between assets and liabilities. An increase in net position over time usually indicates an improvement in financial condition.

**KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(Continued)**

Net Assets. The following table is a comparative summary of the Authority's net position.

Table 1. Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current and Other Assets	\$ 5,263,076	\$ 4,585,375	\$ 677,701
Capital Assets	<u>37,301,693</u>	<u>37,282,833</u>	<u>18,860</u>
Total Assets	<u>42,564,769</u>	<u>41,868,208</u>	<u>696,561</u>
Long-Term Debt	22,215,163	22,775,154	(559,991)
Other Liabilities	<u>1,767,021</u>	<u>1,673,997</u>	<u>93,024</u>
Total Liabilities	<u>23,982,184</u>	<u>24,449,151</u>	<u>(466,967)</u>
Net Investment in Capital Assets	14,631,731	14,053,186	578,545
Restricted Net Position	1,238,280	1,240,024	(1,744)
Unrestricted	<u>2,712,574</u>	<u>2,125,847</u>	<u>586,727</u>
Total Net Position	<u>\$ 18,582,585</u>	<u>\$ 17,419,057</u>	<u>\$ 1,163,528</u>

As the above table indicates, total assets increased by \$696,561 from \$41,868,208 to \$42,564,769 during the fiscal year ended June 30, 2020. This is comprised of an increase of \$677,701 in current and other assets and an increase of \$18,860 in capital assets.

Total Liabilities reflect a decrease of \$566,967. This includes a decrease in long-term debt of \$559,991 and a decrease of \$6,976 in other liabilities reflecting decreased accounts payable and other liabilities at year end.

Table 1 also indicates that total net position increased by \$1,263,528 from \$17,419,057 to \$18,862,585.

**KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(Continued)**

Changes in Net Position. The following table is a summary of the Authority's change in net position.

Table 2. Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Program Revenues- Charges for Services	\$ 5,642,346	\$ 5,580,051	\$ 62,295
Grant Revenues	752,362	456,854	295,508
General Revenues	<u>51,936</u>	<u>55,606</u>	<u>(3,670)</u>
Total Revenues	<u>6,446,644</u>	<u>6,092,511</u>	<u>354,133</u>
Depreciation	1,349,437	1,350,637	(1,200)
Other Operating Expenses	3,082,381	3,056,189	26,192
Non-Operating Expenses	<u>851,298</u>	<u>844,972</u>	<u>6,326</u>
Total Expenses	<u>5,283,116</u>	<u>5,251,798</u>	<u>31,318</u>
Change in Net Position	1,163,528	840,713	322,815
Beginning Net Position	<u>17,419,057</u>	<u>16,578,344</u>	<u>840,713</u>
Ending Net Position	<u>\$ 18,582,585</u>	<u>\$ 17,419,057</u>	<u>\$ 1,163,528</u>

Table 2 indicates that the Authority's non-operating expenses increased by \$6,326 and charges from services increase by \$62,295 from June 30, 2019 to 2020.

Budgetary Highlights

In referring to the budget to actual comparison on pages 25-26, total operating and non-operating revenues were \$883,143 more than budget and operating and non-operating expenses were \$1,392,754 less than budget for an overall favorable variance of \$2,275,897.

Capital Assets

As of June 30, 2020, the Authority's investment in capital assets net of accumulated depreciation totaled \$37,301,693, an increase of \$18,860 over last year. Capital assets include all of the Authority's major capital assets including infrastructure assets, water treatment facilities, water mains, pipes, storage tanks, land, Company headquarters and other structures as well as vehicles and other equipment.

**KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(Continued)**

A summary of the Authority's capital assets at June 30, 2020, is shown in Table 3 below. More detailed information about the Authority's capital assets is presented in Note 3 to the financial statements.

Table 3. Capital Assets

	2020	2019	Dollar Change
Land and Right of Ways	\$ 305,911	\$ 305,911	\$ -
Construction in Progress	1,945,782	2,880,090	(934,308)
Buildings and Improvements	3,476,585	3,476,585	-
Water System	44,857,272	42,621,759	2,235,513
Machinery and Equipment	2,658,176	2,592,309	65,867
Vehicles	728,145	728,145	-
Furniture and Fixtures	201,348	200,123	1,225
Accumulated Depreciation	<u>(16,871,526)</u>	<u>(15,522,089)</u>	<u>(1,349,437)</u>
 Total Capital Assets	 <u>\$ 37,301,693</u>	 <u>\$ 37,282,833</u>	 <u>\$ 18,860</u>

Long-Term Debt

As of June 30, 2020, the Authority had \$22,669,962 in outstanding debt. The outstanding debt includes two bonds: Improvement Revenue Bonds Series 2014A (Tax-Exempt) and Refunding Revenue Bonds Series 2014B (Taxable), 2017 State Revolving Fund Loan, 2019 Revenue Bond and Equipment Loan. The bonds have different maturity dates with the last being in 2048. More detailed information about the Authority's long-term liabilities is presented in Note 6 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The Authority's Board of Commissioners adopts the budget in the spring of each year. This is done after the staff and management have conferred on the necessary expenditures for the system. Rates are also examined at that time for any change that may be needed to maintain the covenant conditions.

Additional Financial Information

This financial information is designed to provide the Authority's customers, creditors, and other interested parties with an overview of the Authority's financial operation and financial condition. Should the reader have any questions regarding this information or wish additional information, please contact the Manager of Kershaw County and Lee County Regional Water Authority at 2638 Old Stagecoach Road, Cassatt, SC 29032.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

Assets

Current Assets:

Cash on Hand	\$	1,100
Cash and Cash Equivalents		3,123,033
Accounts Receivable, Net		682,492
Inventory		176,601
Prepaid Expenses		<u>41,571</u>

Total Current Assets 4,024,797

Non-Current Assets:

Restricted Cash		1,238,279
Capital Assets:		
Water System and Equipment, Net		35,049,996
Construction in Progress		1,945,782
Land and Right of Ways		<u>305,915</u>

Total Non-Current Assets 38,539,972

Total Assets **\$ 42,564,769**

Liabilities

Current Liabilities:

Accounts Payable and Accrued Expenses	\$	597,034
Customer Deposits Payable		400,037
Accrued Payroll and Withholdings		<u>77,160</u>

Total Current Liabilities 1,074,231

Current Liabilities Payable from Restricted Assets:

Current Maturities - Long-term Debt		628,288
Accrued Interest Payable		<u>64,502</u>

Total Current Liabilities Payable from Restricted Assets 692,790

Non-Current Liabilities:

Loans Due After One Year		22,041,674
Compensated Absences		<u>173,489</u>

Total Non-Current Liabilities 22,215,163

Total Liabilities **23,982,184**

Net Position

Net Investment in Capital Assets		14,631,731
Restricted for Debt Service		134,049
Restricted for Capital Improvements		1,104,231
Unrestricted		<u>2,712,574</u>

Total Net Position **\$ 18,582,585**

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2020

Program Revenues - Charges for Services

Water Sales	\$ 5,274,194
Reconnection, Service and Late Charges	231,580
Tap Fees	53,295
Impact Fees	49,280
Other Charges and Fees	33,997
 Total Program Revenues	 5,642,346

Operating Expenses

Auto Expenses	81,013
Bad Debts	33,251
Bankcard Charges	26,979
Chemicals and Supplies	120,709
Contract Services	85,495
Depreciation	1,349,437
Directors' Fees	33,712
Dues and Subscriptions	19,365
Employee Benefits	46,929
Engineering	41,367
Insurance	288,780
Lab Fees	30,149
Legal and Professional Fees	148,894
Miscellaneous	17,213
Office Supplies	11,706
Payroll Taxes	83,972
Postage	4,261
Repairs and Maintenance	260,690
Salaries and Wages	1,128,317
System Maintenance and Supplies	20,029
Telephone	48,219
Travel	21,586
Water Purchases	224,836
Uniforms	14,698
Utilities	290,211
 Total Operating Expenses	 4,431,818

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2020
(Continued)

Operating Income	<u>\$ 1,210,528</u>
Non-Operating Revenues (Expenses)	
Interest Income	51,936
Interest Expense	<u>(851,298)</u>
Total Non-Operating Revenues (Expenses)	<u>(799,362)</u>
Capital Contribution	<u>752,362</u>
Change in Net Position	1,163,528
Net Position, Beginning of Year	<u>17,419,057</u>
Net Position, End of Year	<u><u>\$ 18,582,585</u></u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020

Cash Flows From Operating Activities:

Cash Received from Customers	\$ 5,587,474
Cash Payments to Suppliers	(1,856,923)
Cash Payments to Employees	(1,092,114)
Change in Customer Deposits	<u>11,758</u>

Net Cash Provided by Operating Activities 2,650,195

Cash Flows From Capital and Related Financing Activities:

Purchase of Capital Assets	(1,368,297)
Proceeds from Issuance loans	65,867
Principal Payments on Loans	(625,552)
Capital Contributions - Grant Proceeds	752,362
Interest Paid on Loans	<u>(853,661)</u>

Net Cash Used by Capital and Related Financing Activities (2,029,281)

Cash Flows From Investing Activities:

Interest on Investments	<u>51,936</u>
-------------------------	---------------

Net Cash Provided By Investing Activities 51,936

Net Increase in Cash and Cash Equivalents 672,850

Cash and Cash Equivalents, Beginning of Year 3,689,562

Cash and Cash Equivalents, End of Year \$ 4,362,412

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020
(Continued)

Provided by Operating Activities

Operating Income	<u>\$ 1,210,528</u>
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	1,349,437
(Increase)/Decrease in Accounts Receivable	(54,872)
(Increase)/Decrease in Inventory	51,803
(Increase)/Decrease in Other Assets	(1,782)
(Decrease)/Increase in Accounts Payable	47,120
(Decrease)/Increase in Customer Deposits	11,758
(Decrease)/Increase in Compensated Absences	18,441
(Decrease)/Increase in Accrued Payroll and Related Liabilities	<u>17,762</u>
 Total Adjustments	 <u>1,439,667</u>
 Net Cash Provided by Operating Activities	 <u><u>\$ 2,650,195</u></u>

Reconciliation of Total Cash and Cash Equivalents

Current Assets - Cash on Hand	\$ 1,100
Current Assets - Cash and Cash Equivalents	3,123,033
Noncurrent Assets - Restricted Cash	<u>1,238,279</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 4,362,412</u></u>

The notes to the financial statements are an integral part of these statements.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies

Kershaw County and Lee County Regional Water Company, Inc. (The Company) was founded in 1969 for the purpose of providing potable water to local residents. The Company acquired loans and grants from various local, state and federal agencies to finance the operation. On March 6, 2014, the Company was reorganized from a 501(c)12 organization to a Special Purpose District under the laws of the State of South Carolina. The reorganized company was renamed Kershaw County and Lee County Regional Water Authority (The Authority). The Authority was created as a result of liquidation of the Company, and all of the assets and liabilities were transferred to the Authority. The Authority is governed by nine commissioners appointed by the Governor of South Carolina made by recommendations of the SC Legislature from Kershaw and Lee Counties.

The statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Also, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of The Authority's accounting policies.

A. Reporting Entity

The Authority's basic financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is a fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

B. Basis of Presentation

The Authority's basic financial statements consist of fund financial statements that provide a more detailed level of financial information.

Fund Financial Statements

Fund financial statements of the Authority are organized into funds, each of which is considered to be separate accounting entities.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses.

Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Authority are described below:

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the Authority's proprietary fund:

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector. The Authority's only fund is an enterprise fund and is used to account for the financial transactions related to the water service provided to its members.

C. Measurement Focus and Basis of Accounting

Measurement Focus

The proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the Authority finances and meets the cash flow of its proprietary fund.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, then restricted resources as needed.

D. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, restricted cash and certificates of deposits.

Investments

Investment policies of the Authority must operate within existing state statutes of the State of South Carolina, which authorizes what the Authority may and may not invest in. State statutes authorize the Authority to invest in obligations of the United States and its agencies; general obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent that the same are insured by an agency of the Federal government; certificates of deposit where the certificates are collaterally secured by securities of the type described above, held by a third party as escrow agent or custodian, at a market value not less than the amount of certificates of deposit secured, including interest, provided, however, such collateral shall not be required to the extent the same are insured by an agency of the Federal government; collateralized repurchase agreements which are collateralized by securities as set forth above; and SC pooled investment fund established and maintained by the State Treasurer.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

The restrictions on assets for debt service are explained in Note 5.

F. Compensated Absences

The Authority has a liability to its employees for accumulated vacation and sick leave. An employee may accrue up to 20 days of vacation and 45 days of sick, and any unused vacation and sick leave is paid upon termination. The Authority has recorded an expense and liability for accumulated vacation and sick leave of its employees that has been

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

F. Compensated Absences (Continued)

accrued to them. Any unused portions of both are payable to the employee upon termination. An employee may carry forward up to 20 days of vacation and 45 days of sick leave to the following year. Each January, employees are paid for all accrued annual leave over twenty days and all accrued sick leave over forty-five days, which is the maximum carryover for both categories.

G. Receivables

Water receivables compose the majority of proprietary fund receivables. Receivables are carried at the net realizable value less an allowance for uncollectible accounts. A proprietary fund allowance for uncollectible accounts receivable, in the amount of \$57,374 is recorded since the receivables are from customers.

H. Capital Assets

Fixed assets are accounted for as capital assets in the financial statements. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Revenues, Expenses and Changes in Net Position, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The Authority utilizes a \$500 capitalization policy.

The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	10-50 years
Water System	10-50 years
Machinery and Equipment	5-50 years
Vehicles	5 years
Furniture and Fixtures	5-10 years

I. Inventory and Prepaid Items

Inventories are valued at cost using the average cost method. The cost of inventory is expensed using the consumption method. The amount of inventory on hand at year end consists of supplies, pipes and meters.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

J. Equity Classifications

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets. This consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net position. This consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, laws or regulations of other governments or law through constitutional provisions or enabling legislation.
3. Unrestricted net position. All other net position that does not meet the definition of “restricted” or “net investment in capital assets” are classified as unrestricted net position.

K. Operating and Non-Operating Revenues and Expenses

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those, which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses for the proprietary fund include cost of sales, administrative expense and depreciation of capital assets. All other expenses are reported as non-operating expenses. The Authority does not allocate indirect costs.

L. Long-term Obligations

All long-term debt to be repaid from business-type resources are reported as liabilities in the basic financial statements. The long-term debt consists of loans payable due after one year and compensated absences.

M. Capital Contributions

Contributions of capital on enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds, grants or outside contributions of resources restricted to capital acquisition and construction.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

O. Statement of Cash Flows

For the purposes of the statement of cash flows, the Authority's Proprietary Fund considers cash, restricted cash and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include certificates of deposits.

P. Subsequent Events

The Authority has evaluated subsequent events through December 8, 2020, which is the date the financial statements were available to be issued. During this period, the Authority did not have any material subsequent events that required recognition in the Authority's disclosures to the financial statements at June 30, 2020.

Note 2. Deposits and Investments

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. To minimize this risk, the Authority's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) coverage.

As of June 30, 2020, \$3,203,630 of the Authority's bank balance of \$4,426,212, which has a carrying value of \$4,361,315 was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by Pledging bank in Authority's name	<u>\$ 3,203,630</u>
--	---------------------

Investments

As of June 30, 2020, the Authority had the following investment and maturity:

	<u>Fair Value</u>	<u>Investment Maturity Less Than 1 Yr.</u>
SC Pooled Investment Fund	\$ 1,459,766	\$ 1,459,766

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk for Investments – Credit risk for investments is the risk that an insurer or other counter party to an investment will not fulfill its obligations. The Authority does not have an investment policy for credit risk but follows the investment policy of the State of South Carolina. The SC Pooled Investment Fund does not have a credit quality rating. The Fund is unrated.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 3. Capital Assets

Capital asset activity for period ended June 30, 2020, was as follows:

	Balance 6/30/2018	Additions/ Transfers	Disposal/ Transfers	Balance 6/30/2019
Non-Depreciable Assets:				
Land and Right of Ways	\$ 305,911	\$ -	\$ -	\$ 305,911
Construction in Progress	2,880,090	1,173,528	(2,107,836)	1,945,782
Depreciable Assets:				
Buildings and Improvements	3,476,585	-	-	3,476,585
Water System	42,621,759	127,677	2,107,836	44,857,272
Machinery and Equipment	2,592,309	65,867	-	2,658,176
Vehicles	728,145	-	-	728,145
Furniture and Fixtures	200,123	1,225	-	201,348
Totals	<u>52,804,922</u>	<u>1,368,297</u>	<u>-</u>	<u>54,173,219</u>
Less: Accumulated Depreciation				
Buildings and Improvements	803,312	153,792	-	957,104
Water System	12,523,456	983,661	-	13,507,117
Machinery and Equipment	1,483,731	114,460	-	1,598,191
Vehicles	559,903	73,394	-	633,297
Furniture and Fixtures	151,687	24,130	-	175,817
Totals	<u>15,522,089</u>	<u>1,349,437</u>	<u>-</u>	<u>16,871,526</u>
Total Capital Assets, Net	<u>\$ 37,282,833</u>	<u>\$ 18,860</u>	<u>\$ -</u>	<u>\$ 37,301,693</u>

Construction in progress consists of the following at June 30, 2020:

	Expenditures to Date	Total Estimated Expenditures	Estimated Expenditures Remaining
Construction in Progress - General	<u>\$ 1,945,782</u>	<u>\$ 2,500,000</u>	<u>\$ 554,218</u>
	<u>\$ 1,945,782</u>	<u>\$ 2,500,000</u>	<u>\$ 554,218</u>

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 4. Accounts Receivable

Accounts receivable at June 30, 2020, consists of the following:

Water Sales (Net of Allowance for uncollectible amounts of \$57,374)	\$ 682,492
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Tap and impact fees represent unpaid balances on tap and impact fees from customers who are now receiving service and are making periodic payments on their balances.

Note 5. Restricted Assets

Restricted cash consists of a debt service account created to secure the first year's payment on the Series 2014A and 2014B bonds, unspent bond proceeds in the construction account established for the Series 2014A bonds, and a renewal and replacement account in accordance with the bond resolution dated March 6, 2014.

Note 6. Long-Term Debt

On March 27, 2014, the Authority issued an Improvement Revenue Bond Series 2014A (Tax- Exempt) in the amount \$18,805,000 for the purpose of upgrading and replacing existing water distribution system infrastructure and updating technology. The interest rate is variable and ranges from 3.500% - 4.00%. The bond has maturity dates starting in June 2023 through 2044. The balance owed on the principal of the loan at June 30, 2020, was \$18,805,000.

On March 27, 2014, the Authority issued a Refunding Revenue Bond Series 2014B (Taxable) in the amount \$3,845,000 for the purpose of redeeming outstanding debt with USDA- Rural Development and TD Bank and to pay the cost of issuances of the bond. The interest rate is variable and ranges from 1.051% - 3.928%. The bond has maturity dates starting in June 2016 through 2023. The balance owed on the principal of the loan at June 30, 2020, was \$2,360,000.

The bonds also have a debt covenant ratio provision that the Authority must maintain a net income ratio of 1.2% over the debt service requirement. The Authority met the requirement as of June 30, 2019, with a net income to debt ratio percentage of 2.04%.

On January 12th, 2017, the Authority entered into a loan payable agreement with the South Carolina Drinking Water Revolving Loan Fund in the amount of \$2,188,558 plus Capitalized Interest in the amount of \$79,408, for a total loan value of \$2,267,966. The terms of the loan detail are \$688,959 at 20 years and \$1,499,599 at 30 years. The interest rate is fixed at 1.80% and principal and interest payment are to be made quarterly in the amount of \$27,352. The balance owed on the principal of the loan at June 30, 2019, was \$2,074,990.

On March 19, 2019, the Authority issued a USDA Rural Development Guaranteed Loan in the amount \$492,000 for the purpose of capital improvements to the water system. The interest rate is fixed at 5.27%, with monthly payments due of \$3,979. The loan matures on March 19, 2034. The balance owed on the principal of the loan at June 30, 2020, was \$489,657.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Long-Term Debt (Continued)

On September 13, 2019, the Authority entered into a contract equipment loan with Blanchard Machinery Company in the amount of \$65,867 for the purchase of Hydraulic Excavator. The interest rate is 0.00%, with monthly payments due of \$1,830. The loan matures on August 13, 2022. The balance owed on the principal of the loan at June 30, 2020, was \$49,400.

The total amount of interest expense incurred as of June 30, 2020, was \$851,298.

The following is a schedule of the annual debt service requirements to maturity of all loans:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	650,244	834,086	1,484,330
2022	672,789	813,586	1,486,375
2023	678,959	790,813	1,469,772
2024	659,070	751,219	1,410,289
2025-2029	3,860,634	3,462,210	7,322,844
2030-2034	4,558,363	2,737,568	7,295,931
2035-2039	5,225,993	1,823,838	7,049,831
2040-2044	6,124,939	753,917	6,878,856
2045-2048	<u>238,971</u>	<u>11,072</u>	<u>250,043</u>
Total	<u>\$ 22,669,962</u>	<u>\$ 11,978,309</u>	<u>\$ 34,648,271</u>

Note 7. Changes in Long-Term Liabilities

During the period ended June 30, 2020, the following changes occurred:

	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Bonds Payable	\$ 23,229,647	\$ -	\$ 609,085	\$ 22,620,562	\$ 628,288
Equipment Loan	\$ -	\$ 65,867	\$ 16,467	\$ 49,400	\$ 21,956
Compensated Absences	<u>155,048</u>	<u>192,938</u>	<u>155,048</u>	<u>192,938</u>	<u>-</u>
	<u>\$ 23,384,695</u>	<u>\$ 258,805</u>	<u>\$ 780,600</u>	<u>\$ 22,862,900</u>	<u>-</u>

Note 8. Deferred Compensation Plan

The Authority offers its employees the option to participate in a 457(b) Deferred Compensation Plan, the 457(b) Deferred Compensation Plan is administered by American United Life. All amounts of compensation contributed under the 457(b) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Deferred Compensation Plan (Continued)

Under a Section 457(b) Plan, the Authority contributes five percent of total compensation to each employees' account. If the employee contributes at least one percent of total compensation to the 457(b) Plan, the Authority will contribute an additional one percent. Therefore, each employee may have as much as six percent of total compensation contributed on their behalf if they contribute one percent.

Contributions are not available to employees until termination of employment, retirement, death, or unforeseeable emergency, with the exceptions of education and purchase or improvement of a primary residence. Employees are eligible to contribute to the 457(b) Plan after six months of service. After one year of service, the Authority will begin the five (or six) percent employer contributions to the 457(b) Plan. Employees are vested into the 457(b) plan as follows:

<u>Years of Service</u>	
Less than 2	0%
2, but less than 3	20%
3, but less than 4	40%
4, but less than 5	60%
5, but less than 6	80%
6 or more	100%

During the period ended June 30, 2020, the Authority contributed a total of \$69,409 to employee retirement benefits. Employee contributions were \$66,073 for the period ended June 30, 2020. There were no significant changes in plan provisions during the current year.

Note 9. Risk Management

The Kershaw County and Lee County Regional Water Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority continues to carry commercial insurance for property and casualty insurance. Management believes such coverage is sufficient to preclude any significant uninsured loss to the Authority.

Settled claims have not exceeded this coverage in any of the past three years. There are no significant reductions in insurance coverage in the prior year.

Note 10. Long-Term Water Purchase Contracts

As part of a long-term contract, the Authority agreed to purchase a minimum of 200,000 gallons of water a day from the City of Camden unless the seller is unable to deliver this amount in any month in which case the Authority will only pay for the actual amount delivered. The rates per 1,000 gallons of water are adjusted at the same time and in the same proportion as the City's water rates charged to the City's direct retail customers. During the period ended June 30, 2020, the cost of water purchased from the City was \$144,556.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Long-Term Water Purchase Contracts (Continued)

As part of a separate long-term contract, the Authority agreed to purchase a minimum of 3,000,000 gallons of water a month from Alligator Rural Water and Sewer Authority, unless the seller is unable to deliver this amount in any month, in which case the Authority will only pay for the actual amount delivered.

The rates paid for water purchased are subject to review and modification each year on or about the first day of May. Modification of rates will be based on actual increases in costs of production as defined in the agreement. During the period ended June 30, 2020, the cost of water purchased from Alligator Rural Water and Sewer Authority was \$80,280.

Note 11. Commitments and Contingencies

A lawsuit is pending against the Authority. As of the issuance of the financial statements, it is not known whether any unfavorable outcome is likely, however the water authority has accrued legal fees of \$350,000 as of June 30, 2020 in relation to this pending lawsuit.

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2020

Program Revenues	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
				Positive (Negative)
Water Sales	\$ 5,182,151	\$ 5,182,151	\$ 5,274,194	\$ 92,043
Reconnection, Service and Late Charges	222,000	222,000	231,580	9,580
Tap Fees	60,500	60,500	53,295	(7,205)
Impact Fees	-	-	49,280	49,280
Other Charges and Fees	73,850	73,850	33,997	(39,853)
 Total Operating Revenues	 5,538,501	 5,538,501	 5,642,346	 103,845
 Operating Expenses				
Auto Expenses	89,000	89,000	81,013	7,987
Bad Debts	30,000	30,000	33,251	(3,251)
Bankcard Charges	25,000	25,000	26,979	(1,979)
Chemicals and Supplies	116,500	116,500	120,709	(4,209)
Contract Services	84,500	84,500	85,495	(995)
Depreciation	1,600,000	1,600,000	1,349,437	250,563
Directors' Fees	38,000	38,000	33,712	4,288
Dues and Subscriptions	25,000	25,000	19,365	5,635
Employee Benefits	83,500	83,500	46,929	36,571
Engineering	23,000	23,000	41,367	(18,367)
Insurance	340,000	340,000	288,780	51,220
Lab Fees	30,000	30,000	30,149	(149)
Legal and Professional Fees	198,000	198,000	148,894	49,106
Miscellaneous	29,300	29,300	17,213	12,087
Office Supplies	13,000	13,000	11,706	1,294.00
Payroll Taxes	112,000	112,000	83,972	28,028
Postage	4,000	4,000	4,261	(261)
Repairs and Maintenance	202,000	202,000	260,690	(58,690)
Salaries and Wages	1,402,543	1,402,543	1,128,317	274,226
System Maintenance and Supplies	23,500	23,500	20,029	3,471
Telephone	46,000	46,000	48,219	(2,219)
Travel	37,000	37,000	21,586	15,414
Water Purchases	248,000	248,000	224,836	23,164
Uniforms	20,000	20,000	14,698	5,302
Utilities	290,000	290,000	290,211	(211)
 Total Operating Expenses	 5,109,843	 5,109,843	 4,431,818	 678,025

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
BUDGETARY COMPARISON SCHEDULE
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2020
(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Operating Income	\$ 428,658	\$ 428,658	\$ 1,210,528	\$ 781,870
Non-Operating Revenues (Expenses)				
Interest Income	25,000	25,000	51,936	26,936
Interest Expense	<u>(1,466,027)</u>	<u>(1,466,027)</u>	<u>(851,298)</u>	<u>614,729</u>
Total Non-Operating Revenues (Expenses)	<u>(1,441,027)</u>	<u>(1,441,027)</u>	<u>(799,362)</u>	<u>641,665</u>
Capital Contribution	<u>-</u>	<u>-</u>	<u>752,362</u>	<u>752,362</u>
Change in Net Position	<u>\$ (1,012,369)</u>	<u>\$ (1,012,369)</u>	1,163,528	<u>\$ 2,175,897</u>
Net Position, Beginning of Year			<u>17,419,057</u>	
Net Position, End of Year			<u>\$ 18,582,585</u>	

KERSHAW COUNTY AND LEE COUNTY REGIONAL WATER AUTHORITY
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For the Fiscal Year Ended June 30, 2020

A. Budgets and Budgetary Accounting

The budget for proprietary fund operation is prepared on the cash basis for operating income and expenses. Revenues are budgeted by source in the year receipt is expected and expenses are budgeted by class in the year that they are expected to be incurred. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental information. As required by the laws of the state of South Carolina, the Authority will adopt a balanced Operating Budget and will provide full disclosure when a deviation from a balanced Operating Budget is planned or when it occurs. This balanced budget will ensure that all operating expenses will not exceed operating revenues at adoption and at year-end. Any increase in expenses, decreases in revenues, or combination of the two that would result in a material budget imbalance may require a commission approved budget revision.

B. Legal Compliance – Budgets

The Authority Manager submits an annual budget to the Board of Commissioners each year. The budget includes proposed expenditures and the means for financing them. The budget is reviewed, approved, and adopted in or before June for the next fiscal year. Once adopted, the Board of Commissioners may amend the budget when unexpected modifications are required in estimated revenues and appropriations.

SHEHEEN, HANCOCK & GODWIN, LLP

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December 8, 2020

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Kershaw and Lee County Regional Water Authority
Cassatt, South Carolina 29032

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Kershaw County and Lee County Regional Water Authority, (the Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Kershaw County and Lee County Regional Water Authority's basic financial statements and have issued our report thereon dated December 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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_____, 2021

Kershaw County and Lee County Regional Water Authority
Cassatt, South Carolina

Stephens Inc.
Atlanta, Georgia

Re: Kershaw County and Lee County Regional Water Authority, South Carolina \$___ Water System Improvement Revenue Bonds, Series 2021A, \$___ Water System Improvement Revenue Bonds, Series 2021B (Taxable), and \$___ Water System Improvement Revenue Bonds, Series 2021C (Taxable)

Ladies and Gentlemen:

We have acted as bond counsel to Kershaw County and Lee County Regional Water Authority, South Carolina (the "Issuer"), in connection with the issuance of its (i) \$___ Water System Improvement Revenue Bonds, Series 2021A (the "Series 2021A Bonds"), (ii) \$___ Water System Improvement Revenue Bonds, Series 2021B (Taxable) (the "Series 2021B Bonds"), and (iii) \$___ Water System Improvement Revenue Bonds, Series 2021C (Taxable) (the "Series 2021C Bonds," and collectively with the Series 2021A Bonds and the Series 2021B Bonds, the "Series 2021 Bonds"). In such capacity, we have examined such law and certified proceedings and other documents as we have deemed necessary to render this opinion.

The Series 2021 Bonds are issued pursuant to and in accordance with the Constitution and laws of the State of South Carolina (the "State"), including particularly (i) Article X, Section 14(10) of the South Carolina Constitution, (ii) Chapters 17 and 21 of Title 6, Code of Laws of South Carolina 1976, as amended (the "Act"), and (iii) a Bond Resolution adopted by the Board of Directors of the Kershaw County and Lee County Regional Water Authority, the governing body of the Issuer (the "Board") on March 6, 2014 (the "Bond Resolution"), and a Series Resolution adopted by the Board on October 18, 2021 (the "Series Resolution," and together with the Bond Resolution, the "Resolutions"). Under the Resolutions, the Issuer has pledged the Net Revenues of the System (as such terms are defined in the Bond Resolution) for the payment of principal, premium, if any, and interest on the Series 2021 Bonds when due. Under the Section 6-21-330 of the Act and the Resolutions, the Series 2021 Bonds are additionally secured by a statutory lien on the System. Terms used herein and not otherwise defined shall have the meaning assigned thereto in the Resolutions.

Regarding questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Resolutions and in the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Issuer is a body corporate and politic and a political subdivision of the State, with power to adopt the Resolutions, perform the agreements on its part contained therein, and issue the Series 2021 Bonds.
2. The Resolutions have been duly adopted by the Board and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms.
3. The Resolutions create a valid pledge of and lien on the Net Revenues of the System for the payment of the Series 2021 Bonds on a parity with the pledge and lien in favor of other Bonds issued or to be issued under the Resolutions.
4. The Series 2021 Bonds have been duly authorized and executed by the Issuer and are valid and binding limited obligations of the Issuer, payable solely from the Net Revenues of the System as provided in the

Resolutions. As additional security for the Series 2021 Bonds, a statutory lien on the System is granted pursuant to the provisions of the Section 6-21-330 of the Act.

5. Interest on the Series 2021A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2021A Bonds in order that the interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Series 2021A Bonds to be included in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Series 2021A Bonds.

6. Interest on the Series 2021B Bonds and Series 2021C Bonds is not excluded from gross income for federal income tax purposes.

7. Under existing laws of the State, the Series 2021 Bonds and the interest thereon are exempt from all income taxation in said State, except estate, transfer and 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 Series 2021 Bonds.

We express no opinion regarding federal, state or local tax consequences arising with respect to the Series 2021 Bonds except as stated above.

The rights of the owners of the Series 2021 Bonds and the enforceability of the Series 2021 Bonds and the Resolutions are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

In our capacity as bond counsel, we express no opinion herein regarding the accuracy, adequacy, or completeness of the official statement relating to the Series 2021 Bonds.

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.

Sincerely,

Pope Flynn, LLC

APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated November __, 2021, is executed and delivered by the Kershaw County and Lee County Regional Water Authority, South Carolina (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the Issuer in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a “Municipal Advisor” as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f) hereof, by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the annual financial statements of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Disclosure Representative” means the Chief Executive Officer of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Issuer’s failure to file an Annual Report on or before the Annual Filing Date.

“Financial Obligation” as used in this Disclosure Agreement is defined in the Rule, as may be amended, as (i) a debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements, the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds, as listed in Exhibit A.

“Trustee” means the institution, if any, identified as such in the document under which the Bonds were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(10) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than February 1 of each year, commencing February 1, 2022. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 10:00 a.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, if any, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 - 1. “Principal and interest payment delinquencies;”
 - 2. “Non-Payment related defaults, if material;”
 - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”

4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
 5. “Substitution of credit or liquidity providers, or their failure to perform;”
 6. “Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;”
 7. “Modifications to rights of securities holders, if material;”
 8. “Bond calls, if material;”
 9. “Defeasances;”
 10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
 11. “Rating changes;”
 12. “Tender Offers;”
 13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
 14. “The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;”
 15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
 16. “Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material;” and
 17. “Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.”
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. “amendment to continuing disclosure undertaking;”
 2. “change in obligated person;”

3. “notice to investors pursuant to bond documents;”
4. “certain communications from the Internal Revenue Service;” other than those communications included in the Rule;
5. “secondary market purchases;”
6. “bid for auction rate or other securities;”
7. “capital or other financing plan;”
8. “litigation/enforcement action;”
9. “change of tender agent, remarketing agent, or other on-going party;” and
10. “other event-based disclosures.”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data.”

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force

Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information for the most recently completed fiscal year with respect to the Issuer updating the information provided in the Official Statement under the headings: “THE AUTHORITY AND THE SYSTEM - Customers; - Usage; - Water Sales, - Ten Largest Customers; and Ratemaking;” and “FINANCIAL FACTORS – Summary of Revenues and Expenditures” and “-Historical Coverage.” For “THE AUTHORITY AND THE SYSTEM- Ratemaking” only the rate tables should be provided.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then unaudited financial statements, prepared in accordance with GAAP as described in the Official Statement will be included in the Annual Report. In such event, Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in the continuing disclosure undertaking related to the Bonds, the Issuer is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;
12. Tender offers;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person; **Note to subsection (a)(12) of this Section 4:** For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.
14. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
16. Incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligated Person, any of which affect security holders, if material; and
17. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

The Issuer shall, in a timely manner not later than nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and

identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The Issuer will provide the Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future

Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable to the Disclosure Dissemination Agent until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, if any, for the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of South Carolina (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

KERSHAW COUNTY AND LEE COUNTY REGIONAL
WATER AUTHORITY, SOUTH CAROLINA, as Issuer

By: _____
Name: _____
Title: _____

EXHIBIT A
NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Kershaw County and Lee County Regional Water Authority
Obligated Person(s): Kershaw County and Lee County Regional Water Authority
Name of Bond Issue: \$__ Water System Improvement Revenue Bonds, Series 2021A
Date of Issuance: November __, 2021
Date of Official
Statement: October __, 2021
CUSIP Numbers: 492477 __

Name of Issuer: Kershaw County and Lee County Regional Water Authority
Obligated Person(s): Kershaw County and Lee County Regional Water Authority
Name of Bond Issue: \$__ Water System Improvement Revenue Bonds, Series 2021B (Taxable)
Date of Issuance: November __, 2021
Date of Official
Statement: October __, 2021
CUSIP Numbers: 492477 __

Name of Issuer: Kershaw County and Lee County Regional Water Authority
Obligated Person(s): Kershaw County and Lee County Regional Water Authority
Name of Bond Issue: \$__ Water System Improvement Revenue Bonds, Series 2021C (Taxable)
Date of Issuance: November __, 2021
Date of Official
Statement: October __, 2021
CUSIP Numbers: 492477 __

EXHIBIT B
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer	Kershaw County and Lee County Regional Water Authority
Obligated Person(s)	Kershaw County and Lee County Regional Water Authority
Name of Bond Issue:	_____
Date of Issuance:	_____
Date of Disclosure Agreement:	_____
CUSIP Numbers:	_____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.]

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Issuer

cc: Ms. Donna Tuttle, Chief Executive Officer

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name: _____

Issuer's Six-Digit CUSIP Number: _____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates: _____

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender Offers;"
12. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
13. _____ "Merger, consolidation, or acquisition of the obligated person, if material;"
14. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
15. _____ "Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material;" and
16. _____ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary event disclosure” may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of November __, 2021, between the Issuer and DAC.

Issuer’s and/or Other Obligated Person’s Name:

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1. _____ “amendment to continuing disclosure undertaking;”
2. _____ “change in obligated person;”
3. _____ “notice to investors pursuant to bond documents;”
4. _____ “certain communications from the Internal Revenue Service;”
5. _____ “secondary market purchases;”
6. _____ “bid for auction rate or other securities;”
7. _____ “capital or other financing plan;”
8. _____ “litigation/enforcement action;”
9. _____ “change of tender agent, remarketing agent, or other on-going party; and”
10. _____ “other event-based disclosures.”

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of November __, 2021, between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Financial Disclosure (Check One):

1. _____ "quarterly/monthly financial information;"
2. _____ "change in fiscal year/timing of annual disclosure;"
3. _____ "change in accounting standard;"
4. _____ "interim/additional financial information/operating data;"
5. _____ "budget;"
6. _____ "investment/debt/financial policy;"
7. _____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. _____ "consultant reports;" and
9. _____ "other financial/operating data."

I hereby represent that I am authorized by the Issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

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APPENDIX F
FINANCIAL FEASIBILITY REPORT

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September 27, 2021

Ms. Donna Tuttle
Chief Executive Officer
Kershaw County and Lee County Regional Water Authority
2638 Old Stagecoach Road
Cassatt, South Carolina 29032

Subject: Financial Feasibility Report

Dear Ms. Tuttle:

Pursuant to your request, Raftelis Financial Consultants, Inc. (Raftelis) has prepared a forecast of Kershaw County and Lee County Regional Water Authority's (the "Authority" or "Cassatt Water Co.") operating financial results for the five fiscal years ending June 30, 2026. The forecast was prepared to demonstrate the financial feasibility of the Authority issuing debt to provide proceeds to fund capital improvements to address capacity and operating requirements of serving new potable connections. The forecast is based on data, policy, expectations and assumptions believed to reasonably represent the future customer, operating, financial and budget activities of the Authority. The approach to obtaining data and formulating assumptions necessary for the forecast included reviews of historic and current customer base, operating and maintenance (O&M) expenses, debt service, renewal and replacement (R&R) requirements, together with input from Authority staff and consultants regarding future customer connections, proposed debt service and service agreements.

Primary Assumption and Considerations:

1. The existing residential and business customer base is projected to increase by approximately 717 Equivalent Meter Connections (EMCs) through fiscal year 2025/26, with 417 occurring in fiscal years 2021/22 and 2022/23.
2. A long-term contract was recently approved by the Authority obligating a new industrial customer (commencing May 2022 for the purpose of this Report) to take-or-pay for 203 million gallons per year at an initial rate of \$3.20 per 1,000 gallons.
3. The Authority has identified approximately \$22.0 million in capital improvements anticipated to be funded from the issuance of approximate \$24.0 million revenue bonds (the "2021 Bonds") on parity with the Authority's existing debt.
4. A revenue sufficiency analysis prepared in February 2021 suggested that annual rate adjustments of 2.0 % would be adequate to provide for ongoing operations and the additional debt service associated with the 2021 Bonds.
5. Projected O&M expenses in the forecast are adjusted annually to account for customer growth requirements and inflation.
6. Proposed debt service on the 2021 Bonds was provided by the Authority's financial advisor.

The forecast of water operating revenues and operating expenditures for fiscal years 2021/22 through 2025/26 are shown on Table 1. The results suggest that revenues, based on the proposed rate adjustments, will be sufficient to meet the requirements of Section 4.02(6) and Sections 5.01 (A) and (B) of the Authority's Master Bond Resolution dated March 6, 2014 (the "Bond Resolution").

Table 1
Proforma Operating Statement

	2021/22	2022/23	2023/24	2024/25	2025/26
Revenues					
Base Charge ¹	\$2,768,800	\$2,879,900	\$2,963,800	\$3,049,900	\$3,137,100
Usage Rates ¹	2,944,100	3,056,400	3,144,100	3,233,000	3,322,800
Industrial Take or Pay ²	108,300	649,600	651,600	653,700	655,700
Subtotal	\$5,821,200	\$6,585,900	\$6,759,500	\$6,936,600	\$7,115,600
Other Operating Revenues	356,300	374,500	303,700	306,500	304,800
Impact Fees ³	112,100	121,700	56,100	56,100	56,100
Gross Revenues	\$6,289,600	\$7,082,100	\$7,119,300	\$7,299,200	\$7,476,500
Impact Fees ⁴	112,100	121,700	56,100	56,100	56,100
O&M Expenses ⁵	3,178,100	3,388,500	3,496,200	3,607,400	3,722,100
Net Earnings ⁶	\$2,999,400	\$3,571,900	\$3,567,000	\$3,635,700	\$3,698,300
Debt Service					
Existing Bonds	\$1,311,100	\$1,310,900	\$1,309,700	\$1,308,900	\$1,312,400
2021 Bonds ⁷	327,000	1,058,200	1,055,600	1,106,700	1,151,000
Subtotal Bonds	\$1,638,100	\$2,369,100	\$2,365,300	\$2,415,600	\$2,463,400
Loans					
SRF Loans	\$109,400	\$109,400	\$109,400	\$109,400	\$109,400
USDA	47,700	47,700	47,700	47,700	47,700
BMC	2,600	-	-	-	-
Proposed Loans	-	-	-	-	-
Subtotal Loans	\$159,700	\$157,100	\$157,100	\$157,100	\$157,100
Total Debt Service	\$1,797,800	\$2,526,200	\$2,522,400	\$2,572,700	\$2,620,500
Operating Balance	\$1,201,600	\$1,045,700	\$1,044,600	\$1,063,000	\$1,077,800
Non-Operating Expenses					
R&R Fund Transfer ⁸	\$289,500	\$314,500	\$354,100	\$356,000	\$365,000
Capital From Rates	123,300	123,300	123,300	123,300	123,300
Total Non-Operating Expenses	\$412,800	\$437,800	\$477,400	\$479,300	\$488,300
Net Surplus (Deficit)	\$788,800	\$607,900	\$567,200	\$583,700	\$589,500
Debt Service Coverage (Net Earnings/Debt Service)					
Required per Bond Resolution	1.20	1.20	1.20	1.20	1.20
Required by Authority Policy	1.35	1.35	1.35	1.35	1.35
Achieved	1.67	1.41	1.41	1.41	1.41

1. Service charges derived from existing customer base plus an additional 717 EMCs over the 5-year projection period and annual 2.0% rate increases.

2. Assumes industrial customer commences service on May 1, 2022. Future rate increases based on 20% of annual 2.5% inflation.

3. Are included as Gross Revenues as defined and described in the Bond Resolution.

4. Are excluded as Net Earnings as defined and described in the Bond Resolution.

5. O&M expenses increased annually to account for inflation and customer growth.

6. Calculated based on the definition and description in the Bond Resolution.

7. Proposed 2021 Bonds preliminary debt service provided by Financial Advisor.

8. Based on approximately 5.0 % of prior years' revenue. Funds accumulate in R&R Reserve Fund and utilized as needed for projects/maintenance.

Provided in Table 2 are projections of reserve fund balances for fiscal years 2021/22 through 2025/26. Cash inflows are based on the operating surpluses and transfers to R&R as shown in Table 1 along with impact fee revenue generated from new connections. Cash outflows are based on general assumptions pursuant to

historic reviews and discussions with Cassatt Water Co. staff. As projected in Table 2, future cash reserve balances reflect substantial financial strength Cassatt Water Co.

Table 2
Projected Reserve Fund Balances

	2021/22	2022/23	2023/24	2024/25	2025/26
Revenue Reserve Fund					
Beginning Bal. ¹	\$2,456,000	\$2,970,300	\$3,303,700	\$3,596,400	\$2,993,100
Operating Surplus	788,800	607,900	567,200	583,700	589,500
CIP Transfer	-	-	-	912,500	1,557,500
Legal Services	-	-	-	-	-
Construction Inventory	50,000	50,000	50,000	50,000	50,000
Capitalized Labor	224,500	224,500	224,500	224,500	224,500
Ending Balance	\$2,970,300	\$3,303,700	\$3,596,400	\$2,993,100	\$1,750,600
Days Cash [Bal*365/O&M]	341	356	375	303	172
Target Minimum Balance	\$1,059,400	\$1,129,500	\$1,165,400	\$1,202,500	\$1,240,700
Renewal and Replacement Fund					
Beginning Bal. ¹	\$1,112,300	\$1,251,800	\$1,416,300	\$1,620,400	\$927,100
From Operations	289,500	314,500	354,100	356,000	365,000
Not Budgeted R&R ²	150,000	150,000	150,000	1,049,300	792,900
Ending Balance	\$1,251,800	\$1,416,300	\$1,620,400	\$927,100	\$499,200
Target Minimum Balance	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Impact Fee Fund					
Beginning Bal. ¹	\$2,500	\$114,600	\$236,300	\$292,400	\$173,500
From New Customers	112,100	121,700	56,100	56,100	56,100
To CIP Projects	-	-	-	175,000	175,000
Ending Balance	\$114,600	\$236,300	\$292,400	\$173,500	\$54,600
Total All Reserves	\$4,336,700	\$4,956,300	\$5,509,200	\$4,093,700	\$2,304,400

1. Estimated based on unaudited data.

2. Assumes that most or all annual R&R transfer will be used for R&R projects.

A comparison of typical residential monthly 5,000 gallons potable water bills of neighboring communities is presented in Table 3. The comparison provides a general overview of potable water service in the general area of Cassatt Water Co.; however, the cost of potable water is very difficult to accurately compare, in that no two water systems have similar service areas, resources, plant facilities, capitalization, financing, rate structures and customers.

Table 3
Potable Water Typical Monthly Bill Comparison @ 5,000 Gallons ¹

	Amount
Cassatt Water Co.	\$46.07
Alligator Water Company	\$60.75
Bethune Rural Water Company	\$39.80
City of Camden (in city)	\$30.45
City of Camden (outside)	\$59.54
Darlington County W&S Authority	\$29.32
Hartsville	\$30.13
Lugoff-Elgin	\$41.05
Average of Neighboring Communities	\$41.58

1. As of August 1, 2021

Professional care was used in identifying and utilizing data, assumptions and estimates such that forecasted revenues can be reasonably anticipated from the projected customers within the Utility's service areas. In our opinion, the foregoing Forecast Report is presented in conformity with industry guidelines for presentation of a forecast, and the underlying assumptions provide a reasonable basis for the Authority's forecast. Based upon the assumptions in our report and the projected debt service schedule for the 2021 Bonds, the projected revenues provide adequate funds to maintain the debt service coverage ratios required by the Bond Resolution during the Forecast Period. However, there will be differences between the forecast and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report. This report may be utilized as support for the issuance of the 2021 Bonds and may be included as an appendix to the offering documents related to the 2021 Bonds.

We appreciate this opportunity to be of service and should you have any questions please feel free to contact me.

Sincerely,

RAFTELIS FINANCIAL CONSULTANTS, INC.



Marco H. Rocca
Principal Consultant

APPENDIX G

DTC AND BOOK-ENTRY SYSTEM

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Book-Entry Only System

DTC will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond in the aggregate principal amount of each series and maturity of the Series 2021 Bonds will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "*Indirect Participants*"). DTC has a rating of AA+ from S&P Global Ratings, a division of S&P Global Inc. ("*S&P*"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com (not intended as an active hyperlink).

Purchases of the Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all of the Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and premium (if any) of, and interest on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Trustee or the Authority. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, the Series 2021 Bond certificates will be printed and delivered to DTC.

Discontinuation of Book-Entry System

Should the Series 2021 Bonds no longer be held in book-entry only form, each Series 2021 Bond may be registered only upon the registration books of the Authority kept by the Trustee unless there shall have been appointed a Registrar other than the Trustee to keep the books of registration for the Series 2021 Bonds (the "*Register*"). In such event, the transfer of any Series 2021 Bond shall be registered only upon the Register by the Holder 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, duly executed by the Holder or his duly authorized attorney. Upon the transfer of any such registered Series 2021 Bond, the Authority shall cause to be issued, in the name of the transferee, a new registered Series 2021 Bond of the same aggregate principal amount as the unpaid principal amount of the surrendered Series 2021 Bond. There shall be no charge to the Holder for such exchange or transfer of Series 2021 Bond except that the Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Authority nor the Trustee shall be required to register, transfer or exchange Series 2021 Bond after the Record Date until the subsequent bond payment date or after the mailing of any notice of redemption, or to register, transfer or exchange any Series 2021 Bond called for redemption.

The Authority and the Trustee may deem and treat the person in whose name any Series 2021 Bond shall be registered upon the registration books of the Authority as the absolute owner of such Series 2021 Bond, whether such Series 2021 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 Series 2021 Bond and for all other purposes, and all such payments so made to any such Holder or, upon his order, shall be valid and effectual to satisfy and discharge the liability upon such Series 2021 Bond to the extent of the sum or sums so paid, and neither the Authority nor the Trustee shall be affected by any notice to the contrary.



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