

_____, 2018

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

Finance Director

FIRST SUPPLEMENTAL INSTALLMENT FINANCING AGREEMENT

Dated as of January 1, 2018

between

COUNTY OF MONTGOMERY, NORTH CAROLINA

and

MONTGOMERY COUNTY PUBLIC FACILITIES CORPORATION

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FIRST SUPPLEMENTAL INSTALLMENT FINANCING AGREEMENT

This FIRST SUPPLEMENTAL INSTALLMENT FINANCING AGREEMENT, dated as of January 1, 2018 (**the “First Supplemental Agreement”**), between the COUNTY OF MONTGOMERY, NORTH CAROLINA, a political subdivision of the State of North Carolina (**the “County”**) and the MONTGOMERY COUNTY PUBLIC FACILITIES CORPORATION, a nonprofit corporation organized and existing under the laws of the State of North Carolina (**the “Corporation”**), supplementing the Master Installment Financing Agreement, dated as of January 1, 2018 (**the “Master Agreement”**), between the County and the Corporation;

WITNESSETH:

WHEREAS, pursuant to Section 160A-20 of the General Statutes of North Carolina, the County may finance (a) the purchase of property and (b) the construction of fixtures or improvements on real property by contracts that create in the property so acquired or in the fixtures or improvements, or in all or some portion of the property upon which the fixtures or improvements are located, or in both, a security interest to secure repayment of the moneys advanced or made available for such purchase or construction;

WHEREAS, the County and the Corporation have entered into the Master Agreement, pursuant to which the Corporation has agreed to advance moneys to the County from time to time to pay certain costs, together with any other available funds, of the School Project (as defined in the Master Agreement);

WHEREAS, in order to provide the moneys to be advanced to the County pursuant to a Master Trust Agreement, dated as of January 1, 2018 (**the “Master Trust Agreement”**), between the Corporation and U.S. Bank National Association, as trustee (**the “Trustee”**), the Corporation will from time to time, subject to final approval thereof by the County and the Local Government Commission (as defined in the Master Agreement) execute and deliver the Series 2018 Notes (as defined in the First Supplemental Trust Agreement, as defined below), evidencing proportionate and undivided interests in the right to receive Installment Payments (as defined in the Agreement) to be made by the County;

WHEREAS, the County and the Corporation have agreed upon the arrangements set forth herein under which the Corporation will execute and deliver the Series 2018 Notes pursuant to the First Supplemental Trust Agreement and make the Series 2018 Advancement (as hereinafter defined) to the County, and the County will agree to make Installment Payments to the Corporation to repay the Series 2018 Advancement with interest as more fully provided herein;

WHEREAS, the County and the Corporation have each duly authorized the execution and delivery of this First Supplemental Agreement;

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

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.1 Definitions.

Unless the context otherwise requires, capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Master Agreement, the Master Trust Agreement and the First Supplemental Trust Agreement. In addition to the capitalized terms defined elsewhere in this First Supplemental Agreement, the following capitalized terms shall have the following meanings unless some other meaning is plainly intended.

“Master Agreement” means the Master Installment Financing Agreement, dated as of January 1, 2018, between the County and the Corporation, including any amendment or supplement thereto.

“First Supplemental Agreement” means this First Supplemental Installment Financing Agreement, dated as of January 1, 2018, between the County and the Corporation, including any amendment or supplement thereto.

“First Supplemental Trust Agreement” means the First Supplemental Trust Agreement, dated as of January 1, 2018, between the Corporation and the Trustee, including any amendment or supplement thereto.

“Master Trust Agreement” means the Master Trust Agreement, dated as of January 1, 2018, between the Corporation and the Trustee, including any amendment or supplement thereto.

“Series 2018 Advancement” means the advance made by the Corporation to the County pursuant to Section 3.1 to pay the School Project Costs and as otherwise allowed by the Master Trust Agreement and the Costs of Issuance associated with the execution and delivery of the Series 2018 Notes.

SECTION 1.2 Rules of Construction.

Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The words “hereby,” “herein,” “hereof,” “hereto,” “hereunder” and other words of similar import refer to this First Supplemental Agreement as a whole and not to any particular Article, Section or subsection. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subsection of this First Supplemental Agreement unless some other reference is indicated. All references herein to specific sections or chapters of the General Statutes of North Carolina or to specific legislative acts are intended to be references to such section, chapters and acts as amended and as they may be amended from time to time by the General Assembly of North Carolina, or any successor statute.

ARTICLE II

REPRESENTATIONS OF THE COUNTY AND THE CORPORATION

SECTION 2.1 Representations, Covenants and Warranties of the County.

The County represents, covenants and warrants to the Corporation as follows:

(a) The Constitution and laws of the State authorize the County to (i) execute and deliver this First Supplemental Agreement, (ii) enter into the transactions contemplated hereby and thereby and (iii) perform its obligations hereunder and thereunder.

(b) The County has duly authorized the execution and delivery of this First Supplemental Agreement in accordance with the Constitution and laws of the State.

(c) Neither the execution and delivery of this First Supplemental Agreement nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions or its organizational documents or any agreement or instrument to which the County is now a party or by which the County or its property is bound, or constitutes a default under any of the foregoing.

(d) Other than building permits or other procedural requirements which are prerequisites to the design, acquisition, construction, furnishing or equipping of the School Project, no approval or consent is required from any governmental authority with respect to the entering into or performance by the County of this First Supplemental Agreement or any other documents related thereto and the transactions contemplated hereby and thereby, or if such approval is required, it has been duly obtained.

(e) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or threatened against or affecting the County challenging the validity or enforceability of this First Supplemental Agreement or any other documents relating hereto or thereto or the performance of the County's obligations under this First Supplemental Agreement.

(f) The County will make no use of the proceeds of the Series 2018 Notes or of any other amounts or property regardless of the source or take any action that, or refrain from taking any action, as to which the failure to take such action, may cause the Series 2018 Notes (or the Installment Payment relating thereto) to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), "private activity bonds" within the meaning of Section 141 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code. To that end, so long as any Installment Payment relating to the Series 2018 Notes remains unpaid, the County, with respect to such proceeds and such other funds, will comply

with all requirements of such Sections of the Code and all regulations of the United States Department of the Treasury issued thereunder are, at the time, applicable and in effect.

SECTION 2.2 Representations, Covenants and Warranties of the Corporation.

The Corporation represents, covenants and warrants to the County as follows:

(a) The Corporation is a nonprofit corporation organized, existing and in good standing under the laws of the State and has the power to enter into this First Supplemental Agreement and the First Supplemental Trust Agreement.

(b) The Corporation has duly authorized the execution and delivery of this First Supplemental Agreement, the First Supplemental Trust Agreement and the Series 2018 Notes.

(c) Neither the execution and delivery of this First Supplemental Agreement and the First Supplemental Trust Agreement, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of the articles of incorporation or bylaws of the Corporation or any agreement or instrument to which the Corporation is now a party or by which the Corporation or its property is bound, or constitutes a default under any of the foregoing.

(f) The Corporation will make no use of the proceeds of the Series 2018 Notes or of any other amounts or property regardless of the source or take any action that, or refrain from taking any action, as to which the failure to take such action, may cause the Series 2018 Notes (or the Installment Payments relating thereto) to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), “private activity bonds” within the meaning of Section 141 of the Code or “federally guaranteed” within the meaning of Section 149(b) of the Code. To that end, so long as any Installment Payment relating to the Series 2018 Notes remains unpaid, the Corporation, with respect to such proceeds and such other funds, will comply with all requirements of such Sections of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent that such requirements are, at the time, applicable and in effect.

(g) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body pending or threatened against or affecting the Corporation challenging the validity or enforceability of this First Supplemental Agreement, the First Supplemental Trust Agreement, or the Series 2018 Notes or any other documents relating hereto and thereto or the performance of the Corporation’s obligations hereunder or thereunder.

ARTICLE III

DEPOSIT OF SERIES 2018 NOTE PROCEEDS

SECTION 3.1 Deposit of Series 2018 Note Proceeds.

The Corporation hereby agrees to advance to the County the Series 2018 Advancement in the amount of \$_____ (net of underwriter's discount for the sale of the Series 2018 Notes) to provide funds, together with any other available funds, to (a) pay certain costs of designing, acquiring, constructing, furnishing and equipping the School Project and (b) pay the Costs of Issuance relating to the Series 2018 Notes. The Series 2018 Advancement shall be made by the Corporation by causing the proceeds of the Series 2018 Notes to be deposited or applied in the manner specified in Section 2.06 of the First Supplemental Trust Agreement on the Closing Date.

In connection with the execution and delivery hereof and of the Series 2018 Notes, the County and the Corporation have delivered a tax certificate. The County will expend the proceeds of the Series 2018 Notes in the manner set forth in said certificate, and the Corporation agrees to such expenditures.

SECTION 3.2 Disclaimer of Corporation.

The County acknowledges and agrees that the design of the School Project (and any component part thereof) has not been made and will not be made by the Corporation, and the Corporation has not supplied any plans or specifications with respect thereto and that the Corporation (a) is not a manufacturer of, nor a dealer in, any of the component parts of the School Project, (b) has not made any recommendation, given any advice nor taken any other action with respect to (i) the choice of any supplier, vendor or designer of, or any other contractor with respect to, the School Project or any component part thereof or any property or rights relating thereto, or (ii) any action taken or to be taken with respect to the School Project or any component part thereof or any property or rights relating thereto at any stage of the construction thereof, (c) has not at any time had physical possession of the School Project or any component part thereof or made any inspection thereof or any property or rights relating thereto, and (d) has not made any warranty or other representation, express or implied, that the School Project or any component part thereof or any property or rights relating thereto (i) will not result in or cause injury or damage to persons or property, (ii) has been or will be properly designed, or will accomplish the results which the County intends therefor, or (iii) is safe in any manner or respect.

THE CORPORATION MAKES NO EXPRESS OR IMPLIED WARRANTY OR REPRESENTATION OF ANY KIND WHATSOEVER WITH RESPECT TO THE SCHOOL PROJECT OR ANY COMPONENT PART THEREOF TO THE COUNTY OR ANY OTHER CIRCUMSTANCE WHATSOEVER WITH RESPECT THERETO, INCLUDING BUT NOT LIMITED TO ANY WARRANTY OR REPRESENTATION WITH RESPECT TO THE MERCHANTABILITY OR THE FITNESS OR SUITABILITY THEREOF FOR ANY PURPOSE; THE DESIGN OR CONDITION THEREOF; THE SAFETY, WORKMANSHIP, QUALITY OR CAPACITY THEREOF; COMPLIANCE THEREOF WITH THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING

THERE TO; ANY LATENT DEFECT; THE TITLE TO OR INTEREST OF THE CORPORATION THEREIN BEYOND THAT TITLE OR INTEREST WHICH THE COUNTY OBTAINS FROM THE CORPORATION PURSUANT HERETO; THE ABILITY THEREOF TO PERFORM ANY FUNCTION; THAT THE PROCEEDS DERIVED FROM THE SALE OF THE SERIES 2018 NOTES WILL BE SUFFICIENT (TOGETHER WITH ANY OTHER AVAILABLE FUNDS OF THE COUNTY) TO PAY THE COST OF DESIGNING, ACQUIRING, CONSTRUCTING, FURNISHING AND EQUIPPING THE SCHOOL PROJECT; OR ANY OTHER CHARACTERISTICS OF THE SCHOOL PROJECT, IT BEING AGREED THAT ALL RISKS RELATING TO THE SCHOOL PROJECT, THE COMPLETION THEREOF OR THE TRANSACTIONS CONTEMPLATED HEREBY OR BY THE MASTER AGREEMENT, THE MASTER TRUST AGREEMENT AND THE FIRST SUPPLEMENTAL TRUST AGREEMENT ARE TO BE BORNE BY THE COUNTY, AND THE BENEFITS OF ANY AND ALL IMPLIED WARRANTIES AND REPRESENTATIONS OF THE CORPORATION ARE HEREBY WAIVED BY THE COUNTY.

ARTICLE IV

INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS

SECTION 4.1 Payment of Installment Payments.

The County shall repay the Series 2018 Advancement, with interest (denominated into components of principal and interest) in installments due at the times and in the amounts set forth in Exhibit A, each such payment constituting an Installment Payment. There shall also be credited against the Installment Payments otherwise payable hereunder any amounts transferred to the Installment Payment Fund pursuant to the First Supplemental Trust Agreement.

ARTICLE V

PREPAYMENT OF INSTALLMENT PAYMENTS

SECTION 5.1 Optional Prepayment.

The County may prepay, in whole or in part, the principal component of Installment Payments relating to the Series 2018 Notes subject to optional prepayment as provided in ARTICLE III of the First Supplemental Trust Agreement, on the dates and at the prepayment prices provided therein. The County shall execute said option by giving written notice to the Trustee of such optional redemption at least 45 days prior to the date of prepayment and depositing with the Trustee, not later than the date of prepayment, cash or Defeasance Obligations that are, together with the interest to accrue thereon, in an amount sufficient to provide for such prepayment, including accrued interest with respect to the principal components of the Installment Payments to be prepaid to the date of prepayment and any prepayment premium, plus any Installment Payments then due and unpaid.

ARTICLE VI

[RESERVED]

ARTICLE VII

MISCELLANEOUS

SECTION 7.1 Continuing Disclosure.

The County hereby undertakes, for the benefit of the beneficial owners of the Series 2018 Notes, to provide:

(a) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2018, to the Municipal Securities rulemaking Board (**the "MSRB"**) through the MSRB's Electronic Municipal Market Access system ("**EMMA**") pursuant to procedures promulgated by the MSRB, audited financial statements of the County for such Fiscal Year, if available, prepared in accordance with Section 159-34 of the General Statutes of North Carolina, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the County are not available by seven months from the end of such Fiscal Year, unaudited financial statements of the County for such Fiscal Year to be replaced subsequently by audited financial statements of the County to be delivered within fifteen (15) days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2018, to the MSRB, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the headings "THE COUNTY – Debt Information and – Tax Information" (excluding any information on overlapping or underlying units) in the Official Statement, dated _____, 2018, relating to the Series 2018 Notes (the "Official Statement"), to the extent that such items are not included in the financial statements referred to in (a) above;

(c) in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, notice of any of the following events with respect to the Series 2018 Notes:

- (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 Series 2018 Notes, or other material events affecting the tax-exempt status of the Series 2018 Notes;

(7) modification to the rights of the beneficial owners of the Series 2018 Notes, if material;

(8) call of any of the Series 2018 Notes, if material, and tender offers;

(9) defeasance of all or any portion of the Series 2018 Notes;

(10) release, substitution or sale of any property securing repayment of the Series 2018 Notes, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the County;

(13) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry of 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, and

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

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

The County may provide required annual financial information described in (a) or (b) above by specific reference to other documents previously provided to the MSRB or filed with the SEC; provided, however that any final official statement incorporated by reference must be available from the MSRB.

The County shall also provide the required information described above to the Trustee at the same time it is provided to other parties.

If the County fails to comply with the undertaking described above, the Trustee or any beneficial owner of the Series 2018 Notes may take action to protect and enforce the rights of all beneficial owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking shall not be an Event of Default under the Agreement and shall not result in any acceleration of the Series 2018 Notes. All actions

shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all beneficial owners of the Series 2018 Notes.

The County reserves the right to modify from time to time, consistent with Rule 15c2-12, the information to be provided to the extent necessary or appropriate in the judgment of the County, provided that:

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

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 (“Rule 15c2-12”) as of the date of the Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the Owners of the Series 2018 Notes, as determined by parties unaffiliated with the County (such as the Trustee or counsel to the Trustee) or by the approving vote of the Owners of a majority in principal amount of the Series 2018 Notes then Outstanding pursuant to the terms of the Trust Agreement, as it may be amended from time to time, at the time of the amendment.

In the event that the County makes such a modification, the annual financial information containing the modified operating data or financial information shall explain, in narrative form,

the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The provisions of this Section shall terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on the Series 2018 Notes.

SECTION 7.2 Binding Effect.

This First Supplemental Agreement shall be binding upon and inure to the benefit of the County and the Corporation, and their respective successors and assigns.

SECTION 7.3 Severability.

In the event any provision of this First Supplemental Agreement shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 7.4 Execution in Counterparts.

This First Supplemental Agreement may be executed in any number of counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 7.5 Compliance with First Supplemental Trust Agreement; Rights of Trustee.

(a) The County covenants to comply with all provisions of the First Supplemental Trust Agreement imposing any duty or obligation on the County notwithstanding that the County is not a signatory to the Trust Agreement.

(b) The Trustee shall be entitled to enforce and benefit from the provisions of this Agreement that relate to it even though it is not a signatory hereto.

SECTION 7.6 Confirmation of Master Agreement.

Except as amended and supplemented hereby or by any other agreement supplementing or amending the Master Agreement, the terms and provisions of the Master Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the County and the Corporation have caused this First Supplemental Agreement to be executed in their respective names by their duly authorized officers as of the date first above written.

COUNTY OF MONTGOMERY, NORTH CAROLINA

[SEAL]

By: _____

Name: _____

Its: _____

Attest:

County Clerk

MONTGOMERY COUNTY PUBLIC FACILITIES CORPORATION

[SEAL]

By: _____

President

Attest:

Secretary/Treasurer

[Signature page to the First Supplemental Installment Financing Agreement, dated as of January 1, 2018, between the County of Montgomery, North Carolina and Montgomery County Public Facilities Corporation]

CERTIFICATE OF LOCAL GOVERNMENT COMMISSION

The foregoing First Supplemental Installment Financing Agreement to the Master Installment Financing Agreement has been approved under the provisions of Section 160A-20 and Article 8 of Chapter 159 of the General Statutes of North Carolina, as amended.

Secretary, Local Government Commission of North Carolina

EXHIBIT A
SCHEDULE OF INSTALLMENT PAYMENTS
SERIES 2018 NOTES

Installment	Principal	Interest	
Payment Date	Component	Component	Total
___/___/20__			