

s☆h draft May 23

First Supplemental Trust Agreement

by and between the

Town of Chapel Hill, North Carolina

and

**U.S. Bank Trust Company, National
Association, as Trustee**

Relating to the issuance of

[\$16,500,000]

**Limited Obligation Bonds
Series 2024**

THIS FIRST SUPPLEMENTAL TRUST AGREEMENT is dated as of June 18, 2024 (this “Supplemental Agreement”), is between the **TOWN OF CHAPEL HILL, NORTH CAROLINA**, a municipal corporation of the State of North Carolina (the “Town”), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association having an office in Charlotte, North Carolina, as trustee (the “Trustee”), and relates to the issuance of [\$16,500,000] Limited Obligation Bonds, Series 2024 (the “2024 Bonds”).

Introduction

The Town and the Trustee executed and delivered a Trust Agreement dated as of August 1, 2021 (the “Prior Agreement,” as more fully defined in Exhibit B). The Prior Agreement provides for the issuance of a 2021 series of limited obligation bonds (the “2021 Bonds”), and allows for the issuance of additional series of limited obligation bonds. The Prior Agreement provides that the parties will enter into a supplemental agreement for each issue of limited obligation bonds.

The Town and the Trustee are now entering into this Supplemental Agreement to supplement the Prior Agreement and provide for the issuance of the 2024 Bonds as additional bonds under the Trust Agreement. The 2024 Bonds are issued and secured on a parity with the 2021 Bonds.

The Town is issuing the 2024 Bonds to provide funds to carry out a project to pay additional construction costs for the Rosemary Street Parking Deck, to pay for the acquisition of a ladder truck, to pay for furnishings and equipment of the new police headquarters and emergency operations center, and to pay financing costs and other related costs, all as further described in Exhibit A.

Each of the 2024 Bonds represents an “installment contract” within the meaning of Section 160A-20 of the North Carolina General Statutes, between the Town and the owner of that Bond. The Trustee serves under this Supplemental Agreement for and on behalf of the bondholders.

Unless the context clearly requires otherwise, capitalized terms used in this Supplemental Agreement and not otherwise defined have the meanings set forth in Exhibit B or in the Prior Agreement.

NOW, THEREFORE, in consideration of the covenants contained in this Supplemental Agreement, the parties agree as follows:

ARTICLE I

THE 2024 BONDS

Section 1.01. Provision for 2024 Bonds; Advance. (a) The Town will issue, and the Trustee will authenticate and deliver, 2024 Bonds in an aggregate principal amount of [\$16,500,000], consisting of two separate bonds as follows:

* \$12,000,000 Taxable Limited Obligation Bond, Series 2024A (the “2024A Bond”); and

* \$4,000,000 Limited Obligation Bond, Series 2024B (the “2024B Bond”).

(b) The Town acknowledges that the amount paid to the Town from the issuance and sale of the 2024 Bonds will be [\$16,500,000]. The Town will use the amount paid as provided in this Supplemental Agreement to pay 2024 Project Costs.

Section 1.02. Bonds Constitute Installment Contracts. Each of the 2024 Bonds, together with the Town’s corresponding obligations under the Trust Agreement and the Deed of Trust, constitutes a separate “installment contract” within the meaning of Section 160A-20 between the Town and the owner of that Bond. The Town’s payment obligations, and its other obligations under this Agreement and with respect to the Bonds, are secured by the lien on the Mortgaged Property created under the Deed of Trust and by the other security provided for in the Trust Agreement.

Section 1.03. Agreement Supplements Prior Agreement; 2024 Bonds Are Additional Bonds. (a) This Supplemental Agreement is a “supplemental agreement” for the issuance of Additional Bonds as provided in the Prior Agreement, and the 2024 Bonds are “Additional Bonds” as defined in the Prior Agreement.

(b) Except as modified by this Supplemental Agreement, all terms of the Prior Agreement remain in effect and apply with respect to the 2024 Bonds to the same extent as to the 2021 Bonds.

Section 1.04. Form and Details; Payments. (a) The 2024 Bonds will be issued initially as two fully registered bonds. The 2024 Bonds will be in

substantially the forms of Exhibits C-1 and C-2, with any changes as the Trust Agreement permits or requires. Each of the 2024 Bonds will be dated the date of its initial delivery to its initial Bondholder. All interest payments will be calculated based on a 360-day year consisting of twelve 30-day months and subject to adjustment as provided in this Supplemental Agreement.

(b) The 2024A Bond will be designated "Taxable Limited Obligation Bond, Series 2024A." The 2024A Bond will be (i) registered initially in Truist's name, (ii) in the principal amount of \$12,500,000, (iii) numbered RA-1 for identification, (iv) payable as to interest semiannually until payment on each Payment Date at the 2024A Interest Rate, and (iv) payable as to principal on December 1 in installments in years and amounts as follows:

<u>Installment Date (December 1)</u>	<u>Principal Amount (\$)</u>	<u>Installment Date (December 1)</u>	<u>Principal Amount (\$)</u>
To come			

(c) The 2024B Bond will be designated "Limited Obligation Bond, Series 2024B." The 2024B Bond will be (i) registered initially in TRUCE's name, (ii) in the principal amount of \$4,000,000, (iii) numbered RB-1 for identification, (iv) payable as to interest semiannually until payment on each Payment Date at the 2024B Interest Rate, and (iv) payable as to principal on December 1 in installments in years and amounts as follows:

<u>Installment Date (December 1)</u>	<u>Principal Amount (\$)</u>	<u>Installment Date (December 1)</u>	<u>Principal Amount (\$)</u>
To come			

(d) Exhibit D shows a schedule of payments due on the 2024 Bonds with respect to each Payment Date. Upon any change to the 2024A Interest Rate or the 2024B Interest Rate, the affected Bondholder shall promptly prepare a substitute Exhibit D reflecting the new interest rate and resulting payment schedule, and

deliver a copy of the new schedule to the Town, the Trustee and to the LGC. The Trustee has no responsibility to calculate any new payments, with those matters lying only between the Town and the affected Bondholders.

Section 1.05. Rate Adjustment for 2024B Bond. (a) *Event of Taxability.* Upon the occurrence of an Event of Taxability and for as long as any portion of the principal of the 2024B Bond remains outstanding, the 2024B Interest Rate shall be converted to the Taxable Rate. This adjustment shall survive full payment of the 2024B Bond until such time as the federal statute of limitations under which the interest on the 2024B Bond could be declared taxable under the Code has expired. In addition, upon an Event of Taxability, the Town shall, immediately upon demand, pay to the 2024B Bondholder (or any prior entity that has been in the position of the 2024B Bondholder, if applicable) (i) an additional amount equal to the difference between (A) the amount of interest actually paid on the 2024B Bond during the Taxable Period and (B) the amount of interest that would have been paid during the Taxable Period had the 2024B Bond borne interest at the Taxable Rate, and (ii) an amount equal to any interest, penalties and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by any 2024B Bondholder as a result of the Event of Taxability.

TRUCE shall promptly prepare a substitute Exhibit B reflecting the new interest rate and resulting payment schedule, and deliver a copy of the new schedule to the Town.

(b) *Principal Payments Not Affected.* In any event, the unpaid principal of the 2024B Bond will continue to be payable on the dates and in the amounts shown in Exhibit D.

Section 1.06. Default Rate. While any default by the Town under the 2024 Bonds, the Trust Agreement or the Deed of Trust is continuing, the 2024 Bonds will bear interest (but only during the pendency of the default) at an annual rate equal to the Prime Rate plus 2.00% (200 basis points). If a default affects only one of the 2024 Bonds, then only that Bond will bear interest at this default rate.

Section 1.07. Redemption Dates and Prices. The 2024 Bonds are subject to redemption as described in Section 2.01.

Section 1.08. Delivery of 2024 Bonds. The Trustee will authenticate and deliver the 2024 Bonds when it has received the following items:

(a) Certified copies of Town Council resolutions (i) approving the terms and conditions under which the 2024 Bonds are to be executed and delivered and (ii) authorizing the execution, delivery and issuance of the 2024 Bonds, this Supplemental Agreement, and Deed of Trust Supplement #1 (as described in Exhibit B)

(b) Evidence satisfactory to the Trustee that the LGC has approved the issuance of the 2024 Bonds

(c) A certified copy of the Prior Agreement and an executed copy of this Supplemental Agreement

(d) An executed copy of Deed of Trust Supplement #1, which extends the benefit of the security provided to the Trustee under the Prior Deed of Trust to secure the Town's performance of its obligations under this Supplemental Agreement and 2024 Bonds, as contemplated by Section 1.06(iv) of the Prior Agreement

(e) An Opinion of Bond Counsel to the effect that the execution and delivery of the 2024 Bonds as Additional Bonds is permitted under the terms of the Prior Agreement and has been duly authorized

(f) A Town Certificate directing the Trustee to authenticate and then deliver the 2024 Bonds to the person or persons named therein upon payment to the Trustee of a specified sum

(g) A Town Certificate directing the Trustee as to the application of the proceeds from the sale of the 2024 Bonds

(h) Evidence of the issuance or proposed issuance of one or more lender's title insurance policies (or an appropriate endorsement to an existing policy) in favor of the Trustee, in an aggregate face amount of insurance equal to the total amount of Outstanding Bonds plus the principal amount of the 2024 Bonds, and including the instrument referenced in (d) above as an insured instrument

Section 1.09. Limited Obligation. The 2024 Bonds are limited obligations of the Town, as provided and described in Section 4.05 of the Prior Agreement.

ARTICLE II

REDEMPTION

Section 2.01. Redemption Dates and Prices. (a) Principal of the 2024 Bonds is subject to redemption and prepayment prior to the scheduled Payment Dates only under the terms of this Article. The Town is not required to redeem the 2024A Bond in preference to the 2024B Bond, or vice versa, or to redeem 2024 Bonds ratably among Series, but the County must designate the Series to which a redemption applies.

(b) **2024A Bond** – The Town may prepay the principal of the 2024A Bond in whole or in part at any time, at the Town’s option, upon payment of the principal amount to be prepaid, plus interest accrued to the prepayment date. In addition, for any prepayment prior to June 1, 2034, the Town must also pay Truist the Make Whole Prepayment Premium.

(c) **2024B Bond** -- The Town may prepay the principal of the 2024B Bond, in whole or in part at any time, at the Town’s option on any date, upon payment of the principal amount to be prepaid plus interest accrued to the prepayment date. In addition, for any prepayment prior to June 1, 2029, the Town must also pay TRUCE the Make Whole Prepayment Premium.

(d) **Exception for Small Prepayments** – The Town in any calendar year at its option may prepay the (i) the 2024A Bond in an amount up to 10% of the outstanding principal balance of the 2024A Bond as of the preceding January 1 and (ii) the 2024B Bond in an amount up to 10% of the outstanding principal balance of the 2024B Bond as of the preceding January 1. Notwithstanding any provision of (b) or (c) above, the Town need not pay a Make Whole Prepayment Premium with respect to any prepayment authorized under this subsection (d), no matter when made. Any prepayment must be in the minimum amount of \$50,000, and the Town may not make a prepayment more than every three calendar months.

(e) If the Town redeems a portion of a 2024 Bond, the Town will prepare, and the Trustee will deliver, a new Bond in principal amount equal to the unpaid portion to the registered owner upon the surrender of the 2024 Bond subject to the partial prepayment. All amounts prepaid will be applied first to any prepayment

premium due for that 2024 Bond on that prepayment date, then to interest accrued to the prepayment date, and then to installments of principal in inverse order of maturity. The Lender shall provide the Town with a written statement explaining any calculation of the Make Whole Prepayment Premium., and in the absence of manifest error the Lender's statement will be conclusive and binding.

Section 2.02. Redemption Notices. (a) The Trustee, at the Town's direction, upon being satisfactorily indemnified by the Town with respect to expenses and with at least two Business Days' notice, will send notice of redemption no less than 10 nor more than 30 days prior to the redemption date to the registered owner of the 2024 Bonds to be prepaid at the addresses as appear on the Trustee's registration books, by registered or certified mail. The Trustee shall also send a copy of the notice to the LGC.

(b) Any redemption notice may state that the redemption to be effected is conditioned upon --

- (i) the Trustee's receipt on or prior to the redemption date of moneys sufficient to pay the principal of and interest on the 2024 Bonds or portions thereof to be redeemed; or
- (ii) any other condition not unacceptable to the Trustee.

If a notice contains a condition and the Trustee either (i) does not receive moneys sufficient to pay the principal of and interest on the 2024 Bond on or prior to the redemption date, or (ii) the stated condition is not fulfilled,

in either case on or before the redemption date,

then redemption will not be made, and the Trustee must, within a reasonable time, give notice the same way the redemption notice was given that the moneys were not so received (or condition was not fulfilled) and the redemption was not made.

(c) Each redemption notice must specify (i) the complete designation of the 2024 Bond to be redeemed, (ii) the CUSIP numbers of the 2024 Bonds to be redeemed, if any, (iii) the dated dates, maturity dates and interest rates of the 2024 Bonds to be redeemed, (iv) the date fixed for redemption, (v) any conditions to the

redemption, as contemplated by subsection (b) above, (vi) the principal amount of 2024 Bonds or portions thereof to be redeemed, (vii) the applicable redemption price, (viii) the address of the place or places of payment, (ix) the Trustee's name and telephone number, and the name of a contact person, (x) that interest accrued to the date fixed for redemption will be paid as specified in the notice, and (xi) that on and after the established redemption date, interest on 2024 Bonds that have been redeemed will cease to accrue. The Trustee must also include in any redemption notice any additional information provided by the Town for use in the notice.

Section 2.03. 2024 Bonds Payable on Redemption Date; Interest Ceases To Accrue. If on or before the date fixed for redemption funds are deposited with the Trustee to pay the principal of and interest accrued to the redemption date on 2024 Bonds called for redemption, the 2024 Bonds (or portions of the 2024 Bonds) called for redemption cease to accrue interest from and after the redemption date. Thereafter, those 2024 Bonds, or portions called for redemption, (a) are no longer entitled to the benefits provided by the Trust Agreement and (b) are not deemed to be Outstanding under the Trust Agreement.

ARTICLE III

DEPOSIT AND USE OF 2024 PROCEEDS; OTHER FUNDS

Section 3.01. Creation and Use of 2024 Project Fund. The Trustee will establish a special fund designated as the "Town of Chapel Hill 2024 Project Fund." The Trustee will keep this Fund separate and apart from all other funds and moneys held by it, and the Trustee will hold and administer this Fund as provided in this Agreement. Moneys in the 2024 Project Fund will be expended only as described in Sections 3.02 and 3.03. The Trustee is not required to disburse any moneys from the 2024 Project Fund during the continuation of any Event of Default.

Section 3.02. Deposits to 2024 Project Fund; Custody and Investment; Payment of 2024 Project Costs.

(a) The Trustee will deposit into the 2024 Project Fund the amount specified in the certificate referenced in Section 1.08(g) and all other amounts paid to it for deposit in the 2024 Project Fund. This certificate may also direct the Trustee

as to the further application of amounts in the 2024 Project Fund without any requirement for additional direction or requisition. In particular, the parties expect that the Town will direct the Trustee to pay the proceeds from the sale of the 2024 Bonds to the Disbursement Agent under the “Disbursement Agent Agreement” for deposit in the Disbursement Account created under that Agreement.

“Disbursement Agent Agreement” means the agreement of that name dated as of June 18, 2024, between the Town and Truist Bank, in the capacity of a Disbursement Agent. The Town grants a security interest in all funds and investments held from time to time in the Disbursement Account to secure the Town’s obligations under this Supplemental Agreement with respect to the 2024 Bonds, subject only to the rights of the Disbursement Agent under the Disbursement Agent Agreement. The Town and the Trustee intend for this Supplemental Agreement to be a security agreement with respect to that security interest. The addresses of the Town, as the debtor, and the Trustee, as the secured party, are set forth in Section 5.01.

(b) In addition, the Trustee will disburse moneys in the 2024 Project Fund from time to time, either to pay 2024 Project Costs directly to the Town or the person indicated in the requisition to pay 2024 Project Costs or to reimburse the Town for previous expenditures on 2024 Project Costs, upon the Trustee’s receipt of a requisition substantially in the form of Exhibit E. The Town need not submit any additional information other than the requisition. The Trustee may rely conclusively on requisitions as authorization for payments, and the Trustee has no duty or responsibility to verify any matters in the requisitions.

(c) Unless otherwise directed by the Town, the Trustee will disburse moneys from the 2024 Project Fund that are due to the Town by wire transfer to any bank account in the United States as a Town Certificate may designate from time to time. Any electronic notice to the Trustee is subject to the provisions of Section 9.02 of the Prior Agreement.

Section 3.03. Transfer of Unexpended Proceeds. When the Town determines there are no more 2024 Project Costs to be paid from the 2024 Project Fund, the Town will send a Town Certificate to that effect to the Trustee. The Trustee will then withdraw all remaining moneys in the 2024 Project Fund and deposit those moneys in a separate account within the Payment Fund. The Trustee will then apply those moneys to Bond payments as directed by a Town

Representative. In the absence of any direction from the Town, the Trustee will deposit those moneys in the Interest Account and use them to pay interest on the 2024 Bonds as the same becomes due.

Section 3.04. Creation of Accounts in Payment Fund. (a) The Trustee shall establish, in the 2021 Bond Payment Fund established under the Prior Agreement, three special accounts to be designated as the “2024 Interest Account,” the “2024 Principal Account” and the “2024 Redemption Account.” The Trustee shall keep these accounts separate and apart from all other funds and moneys held by it, and must hold and administer the same as provided below. The Trustee must deposit in the proper account in the Payment Fund all amounts paid to it for deposit in the Payment Fund, including all amounts paid to it by the Town for payments on Bonds.

(b) Not less than 15 days prior to each Payment Date for the 2024 Bonds, the Trustee must determine the amounts on deposit and available to make the payments due on that Payment Date with respect to the 2024 Bonds, whether in (i) the 2024 Interest Account or the 2024 Principal Account of the Payment Fund, or (ii) any special trust fund established pursuant to Section 11.01 of the Prior Agreement. The Trustee must notify the Town of the available amounts not less than 10 days prior to the applicable Payment Date. The Town’s obligation to make payments with respect to any Payment Date is reduced by the available amounts the Trustee determines.

(c) The Trustee must pay the principal of the 2024 Bonds from the 2024 Principal Account and the interest on the 2024 Bonds from the 2024 Interest Account, as the same become due. On or before each Payment Date, the Trustee must first determine if it has on hand amounts sufficient to pay the principal and interest coming due on the Bonds on the Payment Date. Then, the Trustee must set aside an amount sufficient to pay the interest on the Bonds becoming due and payable on that Payment Date, and then an amount sufficient to pay the principal on the Bonds becoming due and payable on that Payment Date. The Trustee must then transfer on the Payment Date the amounts due to the registered owner of the Bonds.

(d) If the amount on deposit in the 2024 Principal Account or the 2024 Interest Account is insufficient for its purposes two Business Days before any Payment Date, the Trustee must notify the Town of the amount of the insufficiency. The Trustee must then transfer the required amounts to those Accounts from any amounts as may be available in the 2024 Redemption Account.

If the amount on deposit in the 2024 Interest Account on any Payment Date exceeds the amount payable on account of interest on the 2024 Bonds on that date, the Trustee must, as directed by a Town Certificate, retain the excess in the 2024 Interest Account or transfer the excess to the 2024 Principal Account to be credited against subsequent required deposits to the 2024 Principal Account. In the absence of any direction from the Town, the Trustee will retain the excess in the 2024 Interest Account.

If the amount on deposit in the 2024 Principal Account on any September 1 exceeds the amount required on that date to pay principal of 2024 Bonds coming due on that date, then the Trustee must, as directed by a Town Certificate, retain the excess in the 2024 Principal Account or transfer the excess to the 2024 Interest Account to be credited against subsequent required deposits to the 2024 Interest Account. In the absence of any direction from the Town, the Trustee will transfer the excess to the 2024 Interest Account.

(e) The Trustee must deposit in the 2024 Redemption Account all amounts paid to it for deposit in that Account, and must use those amounts within 12 months of their deposit to pay 2024 Bonds called for redemption on their redemption dates.

The Trustee must transfer any amounts not so used within 12 months of their deposit in the 2024 Redemption Account to the 2024 Interest Account for use on the next Payment Date to pay interest on the 2024 Bonds, and pending that use or in the absence of direction must invest those funds in Legal Investments identified in Section 3.06(b).

Subject to retaining moneys necessary to pay 2024 Bonds that have been called for redemption but not yet presented for payment, the Trustee must use amounts in the 2024 Redemption Account as directed by a Town Certificate to make transfers to the 2024 Interest Account or the 2024 Principal Account to the extent the balances in those Accounts may be insufficient.

(f) The Trustee must apply Net Proceeds deposited in the Redemption Account pursuant to Section 5.16 of the Prior Agreement to the redemption of Bonds pursuant to Section 2.01(a) of the Prior Agreement or Section 2.01 of this Supplemental Agreement as directed by a Town Representative.

Section 3.05. Use of Net Proceeds Fund from Prior Agreement. The Trustee is to maintain and administer the Net Proceeds Fund established under the Prior Agreement to the same effect and purpose as provided in the Prior Agreement with respect to the 2024 Bonds as to the 2021 Bonds and all Bonds generally.

Section 3.06. Restricted Yield Investment. Not later than June 1, 2027, the Town shall (a) invest any “Covered Proceeds,” as defined below, that the Town holds, and (b) direct the Trustee to invest any Covered Proceeds the Trustee holds, in either (i) Legal Investments providing a fixed yield at or below the “Restricted Yield,” as defined below, (ii) obligations described in Code Section 103 that are not “private activity bonds” within the meaning of Code Section 141, or (iii) any other investment approved by a written opinion of Bond Counsel that is satisfactory to the Trustee;

in any case the Town may specify from time to time. It is the County’s responsibility, and not the Trustee’s, to identify and maintain investments as required by this Section.

The “Covered Proceeds” are any amounts on deposit in any Fund or Account under the Trust Agreement that represent proceeds of the 2024B Bond, including proceeds from the investment of the 2024B Bond proceeds or proceeds from the sale or other disposition of property acquired or improved through the proceeds of the 2024B Bond (including insurance proceeds),

A “Restricted Yield” means a “yield,” within the meaning of Treas. Regs. Secs. 1.103-13(c), -13(d), 1.148-9T(a), or any successor or other provision that may be applicable, not in excess of a “yield” equal to _____%, which is the “yield” on the 2024B Bond.

ARTICLE IV

OTHER MODIFIED TERMS

Section 4.01. Financial Information to Lender. Upon any Lender’s request, the Town will send to the Lender (a) a copy of the Town’s audited financial statements for each Fiscal Year within 30 days of the Town’s acceptance of the statements, but in any event within 270 days of the completion of each Fiscal Year, and (b) a copy of the Town’s adopted budget ordinance within 30 days after its adoption by the Town Council. The Town shall also furnish any Lender, at such reasonable times as the

Lender may request, all other financial information as the Lender may reasonably request to supplement or verify financial assumptions or to verify the Town's creditworthiness. The Town shall permit any Lender or its agents and representatives to inspect the Town's books and records and make extracts therefrom.

Section 4.02. Amendments Require Lenders' Consent. This Supplemental Agreement, the 2024B Bonds and Deed of Trust Supplement #1 may only be amended by a writing signed by the Lenders. Otherwise, the provisions of the Trust Agreement concerning the amendment of the Trust Agreement apply.

Section 4.03. No Advisory or Fiduciary Relationship. The Town acknowledges and agrees as follows: (a) the Lenders are acting solely as principals for the purchase of the 2024 Bonds, and not as a municipal advisor, financial advisor or fiduciary to the Town or any other person or entity regardless of whether any Lender or an affiliate has or is currently acting as such on a separate transaction; (b) the Lenders have not assumed any advisory or fiduciary responsibility to the Town with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether any Lender or its affiliates have provided other services or are currently providing other services to the Town on other matters); (c) the Lenders' only obligations to the Town with respect to the transaction contemplated are as expressly set out in the financing documents; and (d) the Town has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate. In connection with all aspects of the transaction contemplated under this Supplemental Agreement, the Town acknowledges and agrees, that: (a) (i) the Town has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, (ii) the Town is capable of evaluating, and understands and accepts the terms, risks and conditions of the transactions contemplated hereby, (iii) the Lenders are not acting as a municipal advisor or financial advisor to the Town and (v) the Lenders have no fiduciary duty pursuant to Section 15B of the Securities Exchange Act to the Town with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether any Lender has provided other services or is currently providing other services to the Town on other matters); (b) (i) the Lenders are and have been acting solely as principals in arm's-length commercial lending transactions and have not been, are not, and will not be acting as an advisor, agent or fiduciary, for the Town, or any other person or entity and (ii) the Lenders have no

obligation to the Town with respect to the transactions contemplated hereby except those obligations expressly set forth herein; (c) notwithstanding anything herein to the contrary, the Town and the Lenders intend that the 2024 Bonds and this Supplemental Agreement represent a commercial loan transaction not involving the issuance and sale of a municipal security, and that any bond, note or other debt instrument that may be delivered to the Lenders is delivered solely to evidence the repayment obligations of the Town under this Supplemental Agreement; and (d) the Lenders may be engaged in a broad range of transactions that involve interests that differ from those of the Town, and the Lenders have no obligation to disclose any of such interests to the Town. To the fullest extent permitted by law, the Town hereby waives and releases any claims that it may have against the Lenders with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transactions contemplated hereby. If the Town would like a municipal advisor in this transaction that has legal fiduciary duties to the Town, the Town is free to engage a municipal advisor to serve in that capacity. The Lenders' participation is pursuant to and in reliance upon the bank exemption and/or the institutional buyer exemption provided under the municipal advisor rules of the Securities and Exchange Commission, Rule 15Ba1-1 et seq., to the extent that such rules apply to the transactions contemplated hereunder.

Section 4.04. 2024A Bond Not Tax-Exempt. The Town and Truist do not intend that the interest paid by the Town on the 2024A Bond will be exempt from the gross income of any recipient for federal income tax purposes. Therefore, any terms of the Trust Agreement or the Deed of Trust related to such an exemption do not apply to the 2024A Bond.

ARTICLE V

ADDITIONAL PROVISIONS

Section 5.01. Notices.

(a) Any communication provided for in this Supplemental Agreement must be in English and must be in writing. "Writing" includes electronic mail but does not include facsimile transmission.

(b) For the purposes of this Supplemental Agreement, any communication sent by electronic mail will be deemed to have been given on the date the communication is similarly acknowledged by a Town Representative (in the case of the Town) or other authorized representative (in the case of any other party). No such communication will be deemed given or effective without such an acknowledgment. Any electronic communication to the Trustee is subject to the provisions of Section 9.02 of the Prior Agreement.

(c) Any other communication under this Supplemental Agreement will be deemed given on the delivery date shown on a United States Postal Service certified mail receipt, or a delivery receipt (or similar evidence) from a national commercial package delivery service, if addressed as follows:

(i) if to the Town, to Town of Chapel Hill Manager, Re: Notice under 2024 LOBs Financing, 405 Martin Luther King Jr. Blvd., Chapel Hill, NC 27514

(ii) if to the Trustee, to U.S. Bank Trust Company, National Association, Re: Notice for 2024 Financing for Town of Chapel Hill (NC), 214 North Tryon Street, 27th Floor, Charlotte, NC 28202

(iii) If to the LGC, to the North Carolina Local Government Commission, Attn: Secretary of the Commission, Re: Notice for 2024 Town of Chapel Hill LOBs Financing, Longleaf Building, 3200 Atlantic Ave., Raleigh, NC 27604

(d) The Town and US Bank will send copies of any notices either sends under this Supplement as follows, with those notices subject to all other notice provisions of this Section:

(i) To Truist Bank, so long as that Bank is the registered owner of any of the 2024 Bonds, to Truist Bank, Tax-Exempt Lending Group, 150 Stratford Road, 2nd Floor, Winston-Salem, NC 27104

(ii) To Truist Commercial Equity, Inc., so long as that entity is the registered owner of any of the 2024 Bonds, to Truist Commercial Equity, Inc., 1414 Raleigh Road, Chapel Hill, NC 27517

(e) Any addressee (including the LGC and the Lenders) may designate additional or different addresses for communications by notice given under this Section to each of the others.

(f) Any communication sent under this Agreement must also be sent to the Town and the Trustee, along with any other parties to which the communication may be addressed. Any party sending a communication under this Supplemental Agreement that relates to amendments or defaults must also send a copy to the LGC.

(g) Whenever this Supplemental Agreement requires the giving of a notice, the person entitled to receive the notice may waive the notice, in writing. The giving or receipt of the notice will then not be a condition to the validity of any action taken in reliance upon the waiver.

(g) Notwithstanding any contrary provision of the Trust Agreement, the Town agrees that it may not provide any notices or other communications to the Trustee by facsimile transmission.

Section 5.02. Consent to Jurisdiction. The Trustee consents to jurisdiction in the State of North Carolina for any lawsuit arising from this Supplemental Agreement, or arising from any of the related transactions contemplated by this Supplemental Agreement.

Section 5.03. Binding Effect; Limitation of Rights. This Supplemental Agreement is binding upon, inures to the benefit of and is enforceable by the parties and their respective successors and assigns. Nothing expressed or implied in this Supplemental Agreement or the 2024 Bonds gives any person other than the Trustee, the Town and the Owners any right, remedy or claim under or with respect to this Supplemental Agreement.

Section 5.04. Severability. If any provision of this Supplemental Agreement is determined to be unenforceable, that does not affect any other provision of this Supplemental Agreement.

Section 5.05. Counterparts. This Supplemental Agreement may be signed in several counterparts, including separate counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 5.06. Rules for Bond Transfer. (a) Notwithstanding any provision or indication in the Trust Agreement to the contrary, the Trustee will not register the transfer of any 2024 Bonds except to (i) a bank, insurance company, or similar financial institution, or (ii) any direct or indirect wholly-owned subsidiary of either Truist or of any transferee referenced in (i) (in either case, an “Affiliate”), provided that the Affiliate agrees to transfer the 2024 Bonds to a permitted transferee under this paragraph before it ceases to be an Affiliate if at the time it ceases to be an Affiliate it would not qualify as a permitted transferee under this paragraph, or (iii) any other entity approved by the LGC. In connection with any such transfer, the transferring owner must notify the Trustee that the transfer is permitted pursuant to this Section 5.06. The Trustee shall be fully protected in relying on such notification.

(b) In connection with any proposed transfer of the 2024 Bonds, the Town shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 5.07. Definitions; Rules of Interpretation. Unless the context clearly requires otherwise, capitalized terms used as defined terms in this Supplemental Agreement and not otherwise defined have the meanings set forth in Exhibit B, and if not defined there will have the meanings set forth in the Prior Agreement. This Supplemental Agreement will be interpreted in accordance with the rules of interpretation set forth in the Prior Agreement.

The remainder of this page has been left blank intentionally.

IN WITNESS WHEREOF, the parties have caused this First Supplemental Trust Agreement to be executed in their corporate names by their duly authorized officers, all as of June 18, 2024.

(SEAL)

ATTEST:

**TOWN OF CHAPEL HILL,
NORTH CAROLINA**

Sabrina Oliver
Town Clerk

By: _____
Chris Blue
Town Manager

**U.S. Bank Trust Company,
National Association, as
Trustee**

By: _____

Printed name: _____

Title: _____

[First Supplemental Trust Agreement dated as of June 18, 2024]

Exhibit A - List of Projects To Be Financed with Estimated Amounts

Project	Est. Amount (\$)
Acquisition, construction and equipping of the Rosemary Street Parking Deck - additional costs	12,500,000
Acquisition of a ladder truck	
Furnishings and equipment of the new police headquarters and emergency operations center	
Project total	

The Town will also use additional proceeds from the sale of the 2024 Bonds, in the estimated amount of \$_____, to pay financing costs.

The amounts stated above are estimates only. The Town may use any portion of the 2024 Bonds proceeds for any of the 2024 Project Costs, subject to the Town’s obligation to undertake and complete those components of the project related to the “Mortgaged Property,” as defined in the Deed of Trust, the limitation on the use of funds only for 2024 Project Costs, and other limitations provided for in the 2024 Bonds, the Trust Agreement and the Deed of Trust.

Components of the 2024 Project related to the Mortgaged Property include the acquisition, construction and equipping of the Rosemary Street Parking Deck.

EXHIBIT B – Definitions; Rules of Construction

For all purposes of this Supplemental Agreement, unless the context requires otherwise, the following terms have the following meanings.

“2024 Bonds” means the Town’s Limited Obligation Bonds, Series 2024, originally issued pursuant to the Prior Agreement and this Supplemental Agreement as (a) a \$12,500,000 Taxable Limited Obligation Bond, Series 2024A, and (b) a \$4,000,000 Limited Obligation Bond, Series 2024B.

“2024A Interest Rate” means an annual interest rate equal to 4.98%, unless the default rate provisions of Section 1.06 are in effect.

“2024B Interest Rate” means an annual interest rate equal to 4.44%, unless the default rate provisions of Section 1.06 are in effect, and subject to adjustment as provided in Section 1.05.

“2024 Project” means the following:

(a) carrying out the planned acquisitions and improvements referenced in the Introduction to this Supplemental Agreement and specified in Exhibit A;

(b) carrying out any additional public acquisitions and improvements as the Town may designate to the Trustee in a Town Certificate, subject to the restrictions in Exhibit A; and

(c) paying Financing Costs related to the 2024 Bonds.

“2024 Project Costs” means “Project Costs,” as defined in the Prior Agreement, related to the 2024 Project.

“2024 Project Fund” means the 2024 Town of Chapel Hill Project Fund established pursuant to Section 3.01.

“Closing Date” means the date the 2024 Bonds are first delivered to the Lenders, which the parties expect will be on or about June 18, 2024.

“Event of Taxability” means that a final decree or judgment of any federal court or a final action of the Internal Revenue Service determining that interest on the 2024B Bond is includable in the gross income of the registered owner for federal income tax purposes as a result of the action or inaction of the Town has

been issued; provided, no Event of Taxability shall be deemed to occur unless the Town has been given written notice of the occurrence and, to the extent permitted by law, an opportunity to participate in and seek, at the Town's own expense, a final administrative determination by the Internal Revenue Service or determination by a court of competent jurisdiction (from which no further right of appeal exists) as to the occurrence of such Event of Taxability. For all purposes of this definition, the effective date of any Event of Taxability will be the first date as of which interest is deemed includable in the gross income of any such registered owner.

"Lenders" means Truist and TRUCE, together, as the initial purchasers of all the 2024 Bonds, together with all successors and assigns that may be the registered owner of any of the 2024 Bonds.

"Make Whole Prepayment Premium" with respect to a prepayment of the principal component of the any of the 2024 Bonds, means an amount equal to the present value of the difference between (1) the amount that would have been realized by the applicable Lender on the prepaid amount for the remaining term of the loan at the rate for fixed-rate payers in U.S. Dollar interest rate swaps as quoted by Bloomberg (the "*Swap Rate*") for a term corresponding to the repayment term of the 2024 Bonds, interpolated to the nearest month, if necessary, that was in effect three Business Days before the Closing Date, and (2) the amount that would be realized by the Lender by reinvesting such prepaid funds for the remaining term of the loan at the Swap Rate for fixed-rate payers in U.S. Dollar interest rate swaps, interpolated to the nearest month, that was in effect three Business Days prior to the prepayment date; both discounted at the same interest rate utilized in determining the applicable amount in (2). Should the present value have no value or a negative value, the Town may repay with no additional fee. Should Bloomberg no longer release rates for fixed-rate payers in U.S. Dollar interest rate swaps, the Lender may substitute the Bloomberg index for rates for fixed-rate payers in U.S. Dollar interest rate swaps with another similar index as determined by the Lender. The Lender shall provide the Town with a written statement explaining the calculation of the premium due, which statement shall, in absence of manifest error, be conclusive and binding.

"Payment Date" with respect to the 2024 Bonds means each June 1 and December 1, beginning December 1, 2024.

"Prime Rate" means the per annum rate which Truist Bank (whether or not that bank at any time owns any portion of the 2024 Bonds) announces from time to time to be its "prime rate," as in effect from time to time. The prime rate is a reference or benchmark rate, is purely discretionary and does not necessarily represent the lowest or best rate charged to borrowing customers. Truist Bank may make commercial loans or other loans at rates of interest at, above or below the prime rate. Each change in the prime rate will be effective from and including the date Truist Bank announces the change as effective.

"Prior Agreement" means the Trust Agreement dated as of August 1, 2021, between the Town and U.S. Bank Trust Company, National Association, as trustee. At the time it entered into the Prior Agreement, the Trustee was known as U.S. Bank National Association.

"Prior Deed of Trust" means the Deed of Trust and Security Agreement dated as of August 1, 2021, from the Town to a Deed of Trust Trustee for the Town's benefit.

"Supplemental Agreement" means this First Supplemental Trust Agreement, as it may be properly amended or supplemented from time to time.

"Taxable Period" means the period of time between (a) the date that the interest on the 2024B Bond is deemed to be includable in the gross income of the owner thereof for federal income tax purposes as a result of an Event of Taxability, and (b) the date after which the interest is deemed to be no longer so includable. For the purpose of computing any Bond payment due during a Taxable Period, the Taxable Period ends on the date the Bond payment is due.

"Taxable Rate" means the interest rate per annum that provides the Bondholder with the same after tax yield that the Bondholder would have otherwise received had the Event of Taxability not occurred, taking into account the increased taxable income of the Bondholder as a result of such Event of Taxability. The Bondholder shall provide the Town with a written statement explaining the calculation of the Taxable Rate, which statement shall, in the absence of manifest error, be conclusive and binding on the Town.

"TRUCE" means Truist Commercial Equity, Inc., or any successor as the registered owner of the 2024B Bond, and includes any successor that owns any portion of the 2024B Bond.

“Truist” means Truist Bank, or any successor as the registered owner of the 2024A Bond, and includes any successor that owns any portion of the 2024A Bond.

“Trust Agreement” means the Prior Agreement as modified and supplemented by this Supplemental Agreement, as it may be further amended or supplemented from time to time.

All other capitalized terms used in this First Supplemental Trust Agreement and not otherwise defined have the meanings ascribed thereto in the Prior Agreement.

Exhibit C-1 – Form of 2024A Bond

Registered Bond Number RA-1

TAXABLE LIMITED OBLIGATION BOND, SERIES 2024A

TOWN OF CHAPEL HILL, NORTH CAROLINA

THE TOWN OF CHAPEL HILL, NORTH CAROLINA (the "Town"), for value received, promises to pay, but solely from the sources and in the manner provided, to

TRUIST BANK

or registered assigns (the "Bondholder"), the principal sum of

[TWELVE MILLION DOLLARS]

[\$12,000,000]

in principal installments payable on each December 1 as shown on Schedule I, together with interest on the unpaid principal from the date hereof until payment of the entire principal sum at the annual rate of 4.98%, payable on each June 1 and December 1 beginning December 1, 2024, and subject to prepayment as described below.

Interest is payable (a) from June 18, 2024, if this Bond is authenticated prior to December 1, 2024, or (b) otherwise from the June 1 or December 1 that is, or immediately precedes, the date on which this Bond is authenticated (unless payment of interest on this Bond is in default, in which case this Bond will bear interest from the date to which interest has been paid). In all events, (1) all payments on this Bond will be applied first to interest accrued and unpaid to the payment date and then to principal, and (2) if not sooner paid, the entire principal of and interest on this Bond will be due and payable on December 1, 2044. Principal and interest are payable in lawful money of the United States of America.

This Bond constitutes the entire issue of \$12,000,000 Taxable Limited Obligation Bonds, Series 2024A (the "Bond"), issued under, and secured by, a Trust Agreement dated as of August 1, 2021, between the Town and U.S. Bank Trust Company, National Association, as trustee (the "Trustee," and formerly known as U.S. Bank National Association), as supplemented by a First Supplemental Trust Agreement between the Town and the Trustee and dated as of June 18, 2024 (as supplemented, the "Trust Agreement").

This Bond constitutes an installment contract within the meaning of Section 160A-20 of the North Carolina General Statutes between the Town and the owner (from time to time) of this Bond. The Bond is payable solely from funds appropriated on an annual basis by the Town's governing Town Council and other funds available for the purpose of payment pursuant to the Trust Agreement, such as certain net insurance and condemnation awards and the proceeds of remedial action, which revenues and other moneys have been pledged as described in the Trust Agreement to secure payment of the Bond. Neither the Town's faith and credit nor its taxing power is pledged to the payment of any amounts due under the Bond. As provided for under that Section 160A-20, no deficiency judgment may be rendered against the Town in any action for breach of a contractual obligation under the Bond or the Trust Agreement.

To further secure its obligations under the Trust Agreement, the Town has granted, for the benefit of the Trustee on behalf of the owners of the Bonds, a security interest in certain public facilities and the related real property, and certain other property, pursuant to the Trust Agreement and a Deed of Trust and Security Agreement dated as of August 1, 2021, as supplemented by a Deed of Trust Supplement #1 dated as of June 18, 2024, delivered by the Town for the Trustee's benefit (as supplemented, the "Deed of Trust").

The security provided to owners of the Bond under the Deed of Trust and otherwise is on parity with the security provided to owners of prior bonds issued under the Trust Agreement. Additional Bonds secured by a parity interest in the property securing the Bond may be issued under the terms and conditions set forth in the Trust Agreement.

Reference is made to the Trust Agreement and the Deed of Trust for the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Town and the Trustee, the rights of the Owners of the Bond and the terms upon which the Bond is executed, delivered and secured, to all of which provisions the owner of this Bond, by the acceptance of this Bond, agrees.

While any default by the Town under this Bond, the Trust Agreement or the Deed of Trust is continuing, this Bond will bear interest (but only during the pendency of the default) at an annual rate equal to the "Prime Rate" plus 2.00% (200 basis points).

"Prime Rate" means the per annum rate which Truist Bank (whether or not that bank at any time owns any portion of this Bond) announces from time to time to be its "prime rate," as in effect from time to time. The prime rate is a reference or benchmark rate, is purely discretionary and does not necessarily represent the lowest or best rate charged to borrowing customers. Truist Bank may make commercial loans or other loans at rates of interest at, above or below the prime rate. Each change in the prime rate will be effective from and including the date Truist Bank announces the change as effective.

The Town may prepay the principal of this Bond in whole or in part at any time, at the Town's option, upon payment of the principal amount to be prepaid, plus interest accrued to the prepayment date. In addition, for any prepayment prior to June 1, 2034, the Town must also pay the Bondholder the "Make Whole Prepayment Premium."

"Make Whole Prepayment Premium" means an amount equal to the present value of the difference between (1) the amount that would have been realized by the Bondholder on the prepaid amount for the remaining term of the loan at the rate for fixed-rate payers in U.S. Dollar interest rate swaps as quoted by Bloomberg (the "Swap Rate") for a term corresponding to the repayment term of this Bond, interpolated to the nearest month, if necessary, that was in effect three business days before the date of this Bond's initial delivery, and (2) the amount that would be realized by the Lender by reinvesting such prepaid funds for the remaining term of the loan at the Swap Rate for fixed-rate payers in U.S. Dollar interest rate swaps, interpolated to the nearest month, in effect three business days prior to the prepayment date; both discounted at the same interest rate utilized in determining

the applicable amount in (2). Should the present value have no value or a negative value, the Town may repay with no additional fee. Should Bloomberg no longer release rates for fixed-rate payers in U.S. Dollar interest rate swaps, the Bondholder may substitute the Bloomberg index for rates for fixed-rate payers in U.S. Dollar interest rate swaps with another similar index as determined by the Bondholder.

Notwithstanding the provisions above for payment of the Make Whole Prepayment Premium, the Town in any calendar year at its option may prepay an amount up to 10% of the outstanding principal balance of this Bond as of the preceding January 1. The Town need not pay a Make Whole Prepayment Premium with respect to any prepayment described in this paragraph, no matter when made. Any prepayment described in this paragraph must be in the minimum amount of \$50,000, and the Town may not make a prepayment more than every three calendar months.

If the Town redeems a portion of this Bond, the Town will prepare, and the Trustee will deliver, a new Bond in principal amount equal to the unpaid portion to the registered owner upon the surrender of this Bond. All amounts prepaid will be applied first to any prepayment premium due for the Bond on that prepayment date, then to interest accrued to the prepayment date, and then to principal in inverse order of the maturity dates. No partial prepayment postpones the due dates of, or relieves the amounts of, any scheduled installment payments otherwise due.

The Trustee will send redemption notice to the Bondholder, at its address as it appears on the register kept by the Trustee as provided in the Trust Agreement, not more than 30 nor less than 10 days prior to the redemption date.

If on or before the date fixed for redemption funds have been deposited with the Trustee to pay the principal and interest accrued to the redemption date with respect to this Bond, this Bond or portion called for redemption will cease to accrue interest from and after the redemption date, will no longer be entitled to the benefits provided by the Trust Agreement, and will not be deemed to be Outstanding under the Trust Agreement.

The Owner of this Bond has no right to enforce the provisions of the Trust Agreement or to institute action to enforce the covenants therein, or to take any action with respect to any event of default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the

Trust Agreement. Changes to or supplements of the Trust Agreement may be made to the extent and in the circumstances permitted by the Trust Agreement.

Ownership of this Bond will be registered on the Bond Register (as defined in the Trust Agreement) kept for that purpose by the Trustee, which will act as Bond registrar. This Bond may be exchanged, and its transfer may be effected, only by its Owner in person or by attorney duly authorized in writing at the designated office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender and cancellation of this Bond. Upon exchange or registration of such transfer a new registered Bond of the same maturity and interest rate for the same aggregate principal amount will be issued in exchange therefor.

The Trustee will not register the transfer of this Bond except to (a) a bank, insurance company, or similar financial institution, or (b) any direct or indirect wholly-owned subsidiary either of Truist Bank or of any transferee referenced in (a) (in either case, an “Affiliate”), provided that the Affiliate agrees to transfer this Bond to a permitted transferee under this paragraph before it ceases to be an Affiliate if at the time it ceases to be an Affiliate it would not qualify as a permitted transferee under this paragraph, or (c) any other entity approved by the North Carolina Local Government Commission. In connection with any transfer, the transferring owner must notify the Trustee that the transfer is permitted under the Trust Agreement. The Trustee shall be fully protected in relying on such notification.

The Town and the Trustee may deem and treat the person in whose name this Bond is registered on the Bond Register as the absolute owner of this Bond for the purpose of receiving payment of amounts due on this Bond and for all other purposes, and neither the Town nor the Trustee will be affected by any notice to the contrary, except that interest payments will be made to the persons shown as Owners on the Trustee’s registration books on the **Record Date**, which is the end of the calendar day on the 15th day of the month (whether or not a business day) preceding each Payment Date.

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

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

This Bond will not be entitled to any benefit under the Trust Agreement or be valid or obligatory for any purpose until the Trustee has executed the Certificate of Authentication appearing on this Bond.

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

IN WITNESS WHEREOF, the Town has caused this instrument to be signed, sealed and delivered by duly authorized officers, all as of June 18, 2024.

(SEAL)
ATTEST:

**TOWN OF CHAPEL HILL,
NORTH CAROLINA**

Sabrina Oliver
Town Clerk

By: _____
Chris Blue
Town Manager

Town of Chapel Hill, North Carolina
\$12,000,000 Taxable Limited Obligation Bond, Series 2024A

This Bond has been approved under the provisions of Section 160A-20 and Article 8, Chapter 159 of the General Statutes of North Carolina.

Jennifer Wimmer
Deputy Secretary, North Carolina
Local Government Commission

By _____
[Jennifer Wimmer
Or Designated Assistant]

CERTIFICATE OF AUTHENTICATION

This Bond is the 2024A Bond referred to in the First Supplemental Trust Agreement dated as of June 18, 2024, between the Town of Chapel Hill, North Carolina, and U.S. Bank Trust Company, National Association, as trustee.

Date of Authentication: _____

**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as
Trustee**

By: _____
Authorized Officer

**Town of Chapel Hill, North Carolina
\$12,000,000 Taxable Limited Obligation Bond, Series 2024A**

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto

(Please print or type transferee’s name and address, including zip code)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE:

[Empty rectangular box for identifying number]

the within bond and all rights thereunder, hereby irrevocably constituting and appointing _____, Attorney, to transfer said certificate on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

(Signature of Owner)

NOTICE: Signature(s) must be guaranteed by a participant in the Securities Transfer Agent Medallion Program (“STAMP”) or similar program

NOTICE: The signature above must correspond with the name the Owner as it appears on the front of this certificate in every particular without alteration or enlargement or any change whatsoever.

[Schedule I, payment schedule, to come]

Exhibit C-2 – Form of 2024B Bond

Registered Bond Number RB-1

LIMITED OBLIGATION BOND, SERIES 2024B

TOWN OF CHAPEL HILL, NORTH CAROLINA

THE TOWN OF CHAPEL HILL, NORTH CAROLINA (the "Town"), for value received, promises to pay, but solely from the sources and in the manner provided, to

TRUIST COMMERCIAL EQUITY, INC.

or registered assigns (the "Bondholder"), the principal sum of

[FOUR MILLION DOLLARS]

[\$4,000,000]

in principal installments payable on each December 1 as shown on Schedule I, together with interest on the unpaid principal from the date hereof until payment of the entire principal sum at the annual rate of 4.44%, payable on each June 1 and December 1 beginning December 1, 2024, and subject to prepayment and adjustment as described below.

Interest is payable (a) from June 18, 2024, if this Bond is authenticated prior to December 1, 2024, or (b) otherwise from the June 1 or December 1 that is, or immediately precedes, the date on which this Bond is authenticated (unless payment of interest on this Bond is in default, in which case this Bond will bear interest from the date to which interest has been paid). In all events, (1) all payments on this Bond will be applied first to interest accrued and unpaid to the payment date and then to principal, and (2) if not sooner paid, the entire principal of and interest on this Bond will be due and payable on December 1, 2034. Principal and interest are payable in lawful money of the United States of America.

Upon the occurrence of an “Event of Taxability,” as defined below, and for as long as any portion of the principal of this Bond remains outstanding, the 2024B Interest Rate shall be converted to the “Taxable Rate,” as defined below. This adjustment shall survive full payment of this Bond until such time as the federal statute of limitations under which the interest on this Bond could be declared taxable under the Internal Revenue Code has expired. In addition, upon an Event of Taxability, the Town shall, immediately upon demand, pay to the Bondholder (or any prior entity that has been in the position of the Bondholder, if applicable) (i) an additional amount equal to the difference between (A) the amount of interest actually paid on this Bond during the “Taxable Period,” as defined below, and (B) the amount of interest that would have been paid during the Taxable Period had this Bond borne interest at the Taxable Rate, and (ii) an amount equal to any interest, penalties and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by any this Bondholder as a result of the Event of Taxability.

The Bondholder shall promptly prepare a substitute Schedule I reflecting the new interest rate and resulting payment schedule, and deliver a copy of the new schedule to the Town. The unpaid principal of this Bond will continue to be payable on the dates and in the amounts shown in Schedule I.

“Event of Taxability” means that a final decree or judgment of any federal court or a final action of the Internal Revenue Service determining that interest on this Bond is includable in the gross income of the registered owner for federal income tax purposes as a result of the action or inaction of the Town has been issued; provided, no Event of Taxability shall be deemed to occur unless the Town has been given written notice of the occurrence and, to the extent permitted by law, an opportunity to participate in and seek, at the Town’s own expense, a final administrative determination by the Internal Revenue Service or determination by a court of competent jurisdiction (from which no further right of appeal exists) as to the occurrence of such Event of Taxability. For all purposes of this definition, the effective date of any Event of Taxability will be the first date as of which interest is deemed includable in the gross income of the any such registered owner.

“Taxable Period” means the period of time between (a) the date that the interest on this Bond is deemed to be includable in the gross income of the owner thereof for federal income tax purposes as a result of an Event of Taxability, and (b) the date after which the interest is deemed to be no longer so includable. For the

purpose of computing any Bond payment due during a Taxable Period, the Taxable Period ends on the date the Bond payment is due.

"Taxable Rate" means the interest rate per annum that provides the Bondholder with the same after tax yield that the Bondholder would have otherwise received had the Event of Taxability not occurred, taking into account the increased taxable income of the Bondholder as a result of such Event of Taxability. The Bondholder shall provide the Town with a written statement explaining the calculation of the Taxable Rate, which statement shall, in the absence of manifest error, be conclusive and binding on the Town.

In addition, while any default by the Town under this Bond, the Trust Agreement or the Deed of Trust (each as defined below) is continuing, this Bond will bear interest (but only during the pendency of the default) at an annual rate equal to the "Prime Rate," as defined below, plus 2.00% (200 basis points).

"Prime Rate" means the per annum rate which Truist Bank (whether or not that bank at any time owns any portion of this Bond) announces from time to time to be its "prime rate," as in effect from time to time. The prime rate is a reference or benchmark rate, is purely discretionary and does not necessarily represent the lowest or best rate charged to borrowing customers. Truist Bank may make commercial loans or other loans at rates of interest at, above or below the prime rate. Each change in the prime rate will be effective from and including the date Truist Bank announces the change as effective.

This Bond constitutes the entire issue of \$4,000,000 Limited Obligation Bonds, Series 2024B (the "Bond"), issued under, and secured by, a Trust Agreement dated as of August 1, 2021, between the Town and U.S. Bank Trust Company, National Association, as trustee (the "Trustee," and formerly known as U.S. Bank National Association), as supplemented by a First Supplemental Trust Agreement between the Town and the Trustee and dated as of June 18, 2024 (as supplemented, the "Trust Agreement").

This Bond constitutes an installment contract within the meaning of Section 160A-20 of the North Carolina General Statutes between the Town and the owner (from time to time) of this Bond. The Bond is payable solely from funds appropriated on an annual basis by the Town's governing Town Council and other funds available for the purpose of payment pursuant to the Trust Agreement, such as certain net insurance and condemnation awards and the proceeds of remedial

action, which revenues and other moneys have been pledged as described in the Trust Agreement to secure payment of the Bond. Neither the Town's faith and credit nor its taxing power is pledged to the payment of any amounts due under the Bond. As provided for under that Section 160A-20, no deficiency judgment may be rendered against the Town in any action for breach of a contractual obligation under the Bond or the Trust Agreement.

To further secure its obligations under the Trust Agreement, the Town has granted, for the benefit of the Trustee on behalf of the owners of the Bonds, a security interest in certain public facilities and the related real property, and certain other property, pursuant to the Trust Agreement and a Deed of Trust and Security Agreement dated as of August 1, 2021, as supplemented by a Deed of Trust Supplement #1 dated as of June 18, 2024, delivered by the Town for the Trustee's benefit (as supplemented, the "Deed of Trust").

The security provided to owners of the Bond under the Deed of Trust and otherwise is on parity with the security provided to owners of prior bonds issued under the Trust Agreement. Additional Bonds secured by a parity interest in the property securing the Bond may be issued under the terms and conditions set forth in the Trust Agreement.

Reference is made to the Trust Agreement and the Deed of Trust for the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the Town and the Trustee, the rights of the Owners of the Bond and the terms upon which the Bond is executed, delivered and secured, to all of which provisions the owner of this Bond, by the acceptance of this Bond, agrees.

The Town may prepay the principal of this Bond in whole or in part at any time, at the Town's option, upon payment of the principal amount to be prepaid, plus interest accrued to the prepayment date. In addition, for any prepayment prior to June 1, 2029, the Town must also pay the Bondholder the "Make Whole Prepayment Premium."

"Make Whole Prepayment Premium" means an amount equal to the present value of the difference between (1) the amount that would have been realized by the Bondholder on the prepaid amount for the remaining term of the loan at the rate for fixed-rate payers in U.S. Dollar interest rate swaps as quoted by Bloomberg (the

“Swap Rate”) for a term corresponding to the repayment term of this Bond, interpolated to the nearest month, if necessary, that was in effect three business days before the date of this Bond’s original delivery, and (2) the amount that would be realized by the Bondholder by reinvesting such prepaid funds for the remaining term of the loan at the Swap Rate for fixed-rate payers in U.S. Dollar interest rate swaps, interpolated to the nearest month, in effect three business days prior to the prepayment date; both discounted at the same interest rate utilized in determining the applicable amount in (2). Should the present value have no value or a negative value, the Town may repay with no additional fee. Should Bloomberg no longer release rates for fixed-rate payers in U.S. Dollar interest rate swaps, the Bondholder may substitute the Bloomberg index for rates for fixed-rate payers in U.S. Dollar interest rate swaps with another similar index as determined by the Bondholder.

Notwithstanding the provisions above for payment of the Make Whole Prepayment Premium, the Town in any calendar year at its option may prepay an amount up to 10% of the outstanding principal balance of this Bond as of the preceding January 1. The Town need not pay a Make Whole Prepayment Premium with respect to any prepayment described in this paragraph, no matter when made. Any prepayment described in this paragraph must be in the minimum amount of \$50,000, and the Town may not make a prepayment more than every three calendar months.

If the Town redeems a portion of this Bond, the Town will prepare, and the Trustee will deliver, a new Bond in principal amount equal to the unpaid portion to the registered owner upon the surrender of this Bond. All amounts prepaid will be applied first to any prepayment premium due for the Bond on that prepayment date, then to interest accrued to the prepayment date, and then to principal in inverse order of the maturity dates. No partial prepayment postpones the due dates of, or relieves the amounts of, any scheduled installment payments otherwise due.

The Trustee will send redemption notice to the Bondholder, at its address as it appears on the register kept by the Trustee as provided in the Trust Agreement, not more than 30 nor less than 10 days prior to the redemption date.

If on or before the date fixed for redemption funds have been deposited with the Trustee to pay the principal and interest accrued to the redemption date with respect to this Bond, this Bond or portion called for redemption will cease to accrue interest from and after the redemption date, will no longer be entitled to the

benefits provided by the Trust Agreement, and will not be deemed to be Outstanding under the Trust Agreement.

The Owner of this Bond has no right to enforce the provisions of the Trust Agreement or to institute action to enforce the covenants therein, or to take any action with respect to any event of default thereunder, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Trust Agreement. Changes to or supplements of the Trust Agreement may be made to the extent and in the circumstances permitted by the Trust Agreement.

Ownership of this Bond will be registered on the Bond Register (as defined in the Trust Agreement) kept for that purpose by the Trustee, which will act as Bond registrar. This Bond may be exchanged, and its transfer may be effected, only by its Owner in person or by attorney duly authorized in writing at the designated office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender and cancellation of this Bond. Upon exchange or registration of such transfer a new registered Bond of the same maturity and interest rate for the same aggregate principal amount will be issued in exchange therefor.

The Trustee will not register the transfer of this Bond except to (a) a bank, insurance company, or similar financial institution, or (b) any direct or indirect wholly-owned subsidiary either of Truist Bank or of any transferee referenced in (a) (in either case, an "Affiliate"), provided that the Affiliate agrees to transfer this Bond to a permitted transferee under this paragraph before it ceases to be an Affiliate if at the time it ceases to be an Affiliate it would not qualify as a permitted transferee under this paragraph, or (c) any other entity approved by the North Carolina Local Government Commission. In connection with any transfer, the transferring owner must notify the Trustee that the transfer is permitted under the Trust Agreement. The Trustee shall be fully protected in relying on such notification.

The Town and the Trustee may deem and treat the person in whose name this Bond is registered on the Bond Register as the absolute owner of this Bond for the purpose of receiving payment of amounts due on this Bond and for all other purposes, and neither the Town nor the Trustee will be affected by any notice to the contrary, except that interest payments will be made to the persons shown as Owners on the Trustee's registration books on the **Record Date**, which is the end of

the calendar day on the 15th day of the month (whether or not a business day) preceding each Payment Date.

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

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

This Bond will not be entitled to any benefit under the Trust Agreement or be valid or obligatory for any purpose until the Trustee has executed the Certificate of Authentication appearing on this Bond.

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

IN WITNESS WHEREOF, the Town has caused this instrument to be signed, sealed and delivered by duly authorized officers, all as of June 18, 2024.

(SEAL)
ATTEST:

**TOWN OF CHAPEL HILL,
NORTH CAROLINA**

Sabrina Oliver
Town Clerk

By: _____
Chris Blue
Town Manager

Town of Chapel Hill, North Carolina
\$4,000,000 Limited Obligation Bond, Series 2024B

This Bond has been approved under the provisions of Section 160A-20 and Article 8, Chapter 159 of the General Statutes of North Carolina.

Jennifer Wimmer
Deputy Secretary, North Carolina
Local Government Commission

By _____
[Jennifer Wimmer
Or Designated Assistant]

CERTIFICATE OF AUTHENTICATION

This Bond is the 2024B Bond referred to in the First Supplemental Trust Agreement dated as of June 18, 2024, between the Town of Chapel Hill, North Carolina, and U.S. Bank Trust Company, National Association, as trustee.

Date of Authentication: _____

**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as
Trustee**

By: _____
Authorized Officer

**Town of Chapel Hill, North Carolina
\$4,000,000 Limited Obligation Bond, Series 2024B**

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sell(s), assign(s) and transfer(s) unto

(Please print or type transferee’s name and address, including zip code)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE:

[Empty rectangular box for identifying number]

the within bond and all rights thereunder, hereby irrevocably constituting and appointing _____, Attorney, to transfer said certificate on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

(Signature of Owner)

NOTICE: Signature(s) must be guaranteed by a participant in the Securities Transfer Agent Medallion Program (“STAMP”) or similar program

NOTICE: The signature above must correspond with the name the Owner as it appears on the front of this certificate in every particular without alteration or enlargement or any change whatsoever.

[Schedule I, payment schedule, to come]

EXHIBIT D – Schedule of Payments on 2024 Bonds

Principal is payable in the amounts and on the dates as shown below, subject to redemption of the 2024B Bond as provided in this Supplemental Agreement. Interest is payable on the dates shown below.

The 2024 Bonds will bear interest from the Closing Date until paid. Interest is calculated at the annual rate of 4.98% on the 2024A Bond and 4.44% on the 2024B Bond, in each case subject to adjustment as provided in this Supplemental Agreement. The schedule below shows the expected interest payment amounts.

The Town’s obligation with respect to the 2024 Bonds on each Payment Date is the amount shown below as the “total payment” for that date, subject to adjustment as provided in Section 3.05(c) of the Prior Agreement.

Payments are due to the Bondholders on the indicated Payment Dates. The Town will deposit the amounts required for payment with the Trustee by the 25th day of the month preceding the Payment Date.

Date	Principal - 2024A	Interest - 2024A	Principal - 2024B	Interest - 2024B	Total Payment
To come					

Exhibit E – Form of Requisition

[Date] _____

U.S. Bank Trust Company, National Association, as Trustee

Attention: Corporate Trust

Regarding: Requisition under 2024

Trust Agreement for Town of Chapel Hill, North Carolina

To the Trustee:

Pursuant to the terms and conditions of the above-referenced Trust Agreement, the Town authorizes and requests the disbursement of funds from the “Town of Chapel Hill 2024 Project Fund” (the “2024 Project Fund”) established under that Trust Agreement for the costs described below. Capitalized terms used in this requisition and not otherwise defined have the meanings ascribed in the Trust Agreement.

This is requisition number ____ from the 2024 Project Fund.

Total Amount for Disbursement	
Payee	
Payee’s address or wiring instructions	

The Town makes this requisition pursuant to the following representations:

1. The Town has appropriated in its current fiscal year funds sufficient to pay the Bond Payments and estimated Additional Payments due in the current fiscal year.

2. The purpose of this disbursement is for payment of 2024 Project Costs as provided for in the Trust Agreement.
3. The requested disbursement has not been subject to any previous requisition.
4. No notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable herein to any of the persons, firms or corporations named herein has been received, or if any notice of any such lien, attachment or claim has been received, such lien, attachment or claim has been released or discharged or will be released or discharged upon payment of this requisition.
5. This requisition contains no items representing payment on account of any percentage entitled to be retained on the date of this requisition.
6. No Event of Default is continuing, and no event or condition is existing which, with notice or lapse of time or both, would become an Event of Default.
7. The Town has insurance in place that complies with the insurance requirements of the Trust Agreement.
8. No portion of the amounts set forth in this requisition represents amounts paid or payable as North Carolina state sales taxes.

**TOWN OF CHAPEL HILL,
NORTH CAROLINA**

By: ***[Exhibit Form Only - Do Not Sign]***

Title: _____
Town Representative