PROMISSORY NOTE

For value received, the Town of Pittsboro herein referred to as the "Unit," hereby promises to pay the State of North Carolina the principal sum of Four Hundred Ninety Four Thousand Five Hundred Dollars ($494,500) on the unpaid principal sum, from the estimated completion date for a loan made to the Unit by the Department of Environment and Natural Resources for a Sanitary Sewer Project, herein referred to as the "Project," until said principal sum shall be paid.

Interest will accrue at the rate of 0% percent per annum on the unpaid principal sum from the Water Pollution Control Revolving Fund. The first payment is due not earlier than six months nor later than twelve months after the certified completion of the Project by The Department of Environment and Natural Resources - Division of Water Quality. All payments will be made annually, payable on or before May 1. (see attached maturity schedule).

The principal sum shall be repaid in not more than 20 annual installments on May 1, the first principal payment is due not earlier than six months after completion of the Project. The scheduled date of completion of the project is March 14, 2017.

The Unit may be required by the North Carolina Department of Environment and Natural Resources to prepay this note in whole and any further commitment of funds may be withdrawn if the Unit fails to: (i) adopt on or before completion of Project, place into effect, and agree to maintain until the principal sum is paid, a schedule of fees, charges, and other available funds, that will adequately provide for proper operation, maintenance, and administration of the project and for repayment of all principal of and interest on loans; (ii) arrange for necessary financing of the Project within one year of the date of acceptance of a revolving loan; (iii) award a contract for construction of the Project within one year of the date of acceptance of a revolving loan.

The principal sum will be used entirely within the intent of Water Pollution Control Revolving Fund for the purpose of acquiring, constructing and equipping the Project.

The Unit shall keep the Project continuously insured against such risks as are customarily insured against. In case of material damage to the Project, prompt notice shall be given to Department of Environment and Natural Resources. Proceeds from any insurance settlement shall either be used to reduce the unpaid principal amount or replace, repair, rebuild or restore the Project, in the discretion of the unit.

The Project will be made accessible for inspection by any duly authorized representative of the State.

This note is not secured by a pledge of the faith and credit of the State of North Carolina or of the Unit, but is payable solely from the revenues of the Project or benefited systems, or other available funds. Pursuant to the Bond Order adopted by the City Council of the City on November 5, 1990, as amended and supplemented, authorizing and securing the City's Public Works Commission Revenue Bonds (the "Bond Order"), this [Promissory Note] is deemed to constitute Subordinated Indebtedness under the Bond Order and shall be junior, inferior and subordinate in all respects to the Bonds, Credit Facility Obligations and GO System Bonds (as such terms are defined in the Bond Order) as to the lien on, and source and security for payment from, the Revenues (as defined in the Bond Order) and in all other respects as provided in the Bond Order.

Payments of principal and interest on this Note shall be made directly to Department of Environment and Natural Resources. All obligations of the Unit hereunder shall terminate when all sums due and to become due pursuant to this Note have been paid. This Note shall be governed by, and construed in accordance with, the laws of the State of North Carolina.

The Unit agrees that any other monies due to the unit of local government from the State may be withheld by the State and applied to the payment of this obligation whenever the unit fails to pay any payment of principal or interest on this note when due.

The obligation of the Unit to make payments on this Note and observe all conditions herein stated shall be absolute and unconditional. The Unit shall not suspend or discontinue any such payment on this Note for any cause including, without limitation, failure to complete the Project, failure of title to all or any part of the Project, destruction or condemnation of all or any part of the Project.

In Witness Whereof, the Town of Pittsboro caused this Note to be executed as of this date.

By _____
Authorized Representative

ACKNOWLEDGMENT OF EXECUTION

STATE OF _____

COUNTY OF _____

This _____ day of _____, 20____, personally came before me