INTERLOCAL AGREEMENT

This INTERLOCAL AGREEMENT is dated as of November 3, 2008 (this “Agreement”) between the COUNTY OF CHATHAM, NORTH CAROLINA, a political subdivision of the State of North Carolina (the “County”) and the SOUTHEAST CHATHAM WATER DISTRICT, a body corporate and politic organized under the laws of the State of North Carolina (the “District”);

WITNESSETH

WHEREAS, under Article 20 of Chapter 160A of the North Carolina General Statutes, as amended (the “Interlocal Act”), local governments are authorized to enter into interlocal cooperation undertakings with other local governments for the joint exercise by local governments or the contractual exercise by one local government for another local government of any power, function, public enterprise, right, privilege, or immunity of local governments in North Carolina; and

WHEREAS, the purpose of this Agreement is to provide the terms of the relationship between the County and the District with respect to the financing of various water improvements in the southeastern portion of the County (the “Project”);

WHEREAS, the District plans to construct the Project in an effort to improve water service provided to residents of the southeastern portion of the County;

WHEREAS, the County, in support of the Project, has previously agreed to lend the funds necessary to finance the Project to the District;

WHEREAS, the parties to this Agreement desire to set forth their agreement herein;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I

STATEMENT OF PURPOSE

Under the laws of the State of North Carolina, the City and the County each have the power to finance the Project. The County and the District are entering into this Agreement under the Interlocal Act to cooperate in the financing of the Project in an effort to improve water service in the southeastern portion of the County.
ARTICLE II

TERMS OF THE LOAN

The County will lend an amount not to exceed $6 million to the District to finance the Project (the "Loan"). The District hereby agrees to repay the Loan at a rate of 1% interest, accrued annually, no later than November 3, 2011 (the "Maturity Date"), calculated on the basis of a 360-day year and twelve 30-day months. The District may prepay the principal of the Loan, in whole or in part, on any day prior to the Maturity Date at a prepayment price of 100% of the principal of the Loan to be prepaid plus accrued interest thereon to the prepayment date.

ARTICLE III

OWNERSHIP OF THE PROJECT

The District shall own the Project.

ARTICLE IV

DURATION

This Agreement will terminate on the earlier of (1) the Maturity Date or the date on which the Loan is repaid in full as provided for in Article II or (2) the date on which the County and the District mutually agree in writing to terminate this Agreement.

ARTICLE V

MISCELLANEOUS

Section 5.1. Amendment. This Agreement may be amended through a supplement approved in writing by the City and the County.

Section 5.2. Severability. If any section of this Agreement is deemed to be illegal or otherwise unenforceable, it is the intent of the parties hereto that all other provisions of this Agreement shall remain in full force and effect.

Section 5.3. Governing Law. This Agreement is to be governed by and interpreted in accordance with the laws of the State of North Carolina.

Section 5.4. Time is of the Essence. Time is of the essence in this Agreement.

Section 5.5. Execution in Multiple Counterparts. This Agreement may be executed in multiple counterparts, each of which constitutes a completed document.

Section 5.6. Effective Date. This Agreement takes effect on its execution by the County and the District.
IN WITNESS WHEREOF, the Chairman of the Board of Commissioners of the County and the Chairman of the Board of Commissioners of the County, sitting as the governing body of the District, have executed this Interlocal Agreement to evidence the agreement of the parties hereto and the Clerk to the Board of Commissioners of the County has affixed the seal of the County [and the District], as applicable, to this Interlocal Agreement.

[SIGNATURE]

George Lucier
Chairman, Board of Commissioners of Chatham County
the County of Chatham, North Carolina
sitting as governing board of the
Southeast Chatham Water District

Attest:

Sandra Sublett
Clerk to the Board of Commissioners of the County of Chatham, North Carolina
sitting as governing board of the
Southeast Chatham Water District

[SIGNATURE]

George Lucier
Chairman, Board of Commissioners of the County of Chatham, North Carolina

Attest:

Sandra Sublett, CMC
Clerk to the Board of County Commissioners of the County of Chatham, North Carolina

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