

FIRST AMENDMENT TO THE
INTER-LOCAL AGREEMENT FOR WATER SUPPLY
NEUSE REGIONAL WATER AND SEWER AUTHORITY

APPROVED
6/24/04

THIS FIRST AMENDMENT TO THE INTER-LOCAL AGREEMENT FOR WATER SUPPLY (hereinafter referred to as the "Amendment") is made and entered into as of the 24th day of June, 2004, by and between the NEUSE REGIONAL WATER AND SEWER AUTHORITY, a body corporate and politic ("Authority") and the following entities:

City of Kinston ("Kinston")
Town of Pink Hill ("Pink Hill")
North Lenoir Water Corporation ("North Lenoir")
Deep Run Water Corp. ("Deep Run")
Bell Arthur Water Corporation ("BAWC")
Town of Ayden ("Ayden"), and
Town of Grifton ("Grifton")
(hereinafter collectively "the Member Entities")

WITNESSETH:

WHEREAS the Member Entities heretofore entered into the Inter-Local Agreement for Water Supply ("Agreement"), reference to the Agreement hereby is made, the Agreement specifically is incorporated herein by this reference, and, except as otherwise defined herein, the defined terms used in the Agreement shall have the same meaning herein; and,

WHEREAS, the Member Entities wish to document certain changes in the Agreement as set forth below.

NOW, THEREFORE, the Agreement is amended as follows:

1. Remove "Town of La Grange ("La Grange")," "County of Greene ("Greene County")," and "Town of Farmville ("Farmville")" from the list of entities in Paragraph 1.
2. Remove ", Greene," from between the words "Lenoir" and "and" in Paragraph 2.
3. Remove ", Greene," from between the words "Lenoir" and "and" in Paragraph 3.

4. Replace "twenty (20)" with "twelve (12)" in Sentence One of Numerated Paragraph 1.

5. Numerated Paragraph 6.a. reads as rewritten:

"6. PAYMENTS.

a. Minimum Purchase Payments and Additional Payments. Each Member Entity shall pay the Authority for water supplied based on the unit rate established from time to time by the Board. The unit rate paid by all Member Entities shall be the same, subject to the provisions of Paragraph 5.d. of this Agreement. That unit rate shall be expressed in dollars per one thousand (1,000) gallons of water. The unit rate shall be based on: (1) the total revenues required each month to cover Debt Service (defined as the principal and interest payment on any bonds, loans, notes, or other long-term obligations of the Authority); (2) the cost for Operation and Maintenance of the System (defined as all direct costs and expenses incurred by the Authority for operation and maintenance of the System, including without limitation labor, supplies, chemicals, utilities, insurance, and support services); (3) Administration of the System expenses (defined as the approximate percentage of the Authority's administrative expenses for the budget year which reasonably can be allocated to the Project); (4) restricted Capital Reserve (defined as a reserve fund for ensuring that the Authority has adequate funds to pay Debt Service as may be required for the purpose of maintaining the bond rating of the Authority); and (5) a restricted Operation and Maintenance Reserve (defined as a reserve fund for the purpose of meeting any extraordinary or emergency expenses or repairs). The method of calculating the unit rate is shown in Exhibit B, which is hereby incorporated into and made a part of this Agreement.

In addition, prior to the commencement of operation of the System, or if for any reason the Authority determines not to proceed with the construction and acquisition of the System, each Member Entity shall pay to the Authority an amount, calculated for each Member Entity on the basis of the number of customers served by the Member Entity, sufficient to pay principal and interest on any bonds, notes or other indebtedness incurred by the Authority for the purpose of paying the costs of design, construction and acquisition of the System and to cover administrative costs in connection therewith ("Additional Payments").

Payments required by the preceding paragraph shall commence on the earlier of: (1) thirty (30) months after start of construction of the System; (2) closing on the purchase of permanent bonds by USDA/Rural Development or other financing entities for design and construction of the System; or (3) the Authority's acceptance of other financial obligations for the Project, including without limitation the issuance of any bonds or bond anticipation notes during the construction phase of the Project (the "Commencement Date"). The Authority shall conduct a review of the unit rate and present its findings at the Authority's last February meeting prior to the Commencement Date, and annually thereafter, and revise the unit rate as necessary to pay for Debt Service, Operation and Maintenance of the System, Administration of the System, Capital Reserve, and Operation and Maintenance Reserve, including any needed modifications or improvements based on the projected water demand for the coming year. Payments based on the unit rate shall commence upon commencement of operations of the System. The Board is authorized to adjust the unit rate more often than annually if cost or revenue increases, emergencies, or other factors have made such an adjustment necessary or appropriate. The Board shall provide notice of any proposed unit rate adjustment to each Member Entity at least twenty-one (21) days in advance of the March Meeting or other meeting at which the unit rate change will be considered. No change in the unit rate shall become effective unless approved by at least two-thirds (2/3) of the members of the Board. No adjustment or change in unit rate shall be made unless the same adjustment or change is made for all Member Entities, subject to the provisions of Paragraph 5.d. of this Agreement."

6. Numerated Paragraph 6.e. reads as rewritten:

"e. Take or Pay Obligation. Each Member Entity shall be obligated to pay for its respective Minimum Purchase and its Additional Payments, regardless of whether the Member Entity actually is delivered or receives any water during the billing period and regardless of whether the System is constructed, operating or operable. In accordance with N.C. Gen. Stat. § 162A-6(b), each Member Entity acknowledges and agrees that the Minimum Purchase amount and its Additional Payment amount must be paid each month following the Commencement Date based on the unit rate in effect at the time, as determined in accordance with Paragraph 6.a. of this Agreement (or, in the case of Additional Payments, the number of customers served). Payments shall be made in a timely manner and such obligation is absolute, unconditional, irrevocable, and required to be performed strictly in accordance with this Agreement and without

abatement or reduction under all circumstances. The Authority and Member Entities acknowledge that such payment obligations of the Member Entities are in consideration of any output or capacity that may at any time be available from the System."

7. Numerated Paragraph 6.f. reads as rewritten:

"f. Obligation to Make Default Payments. Each Member Entity shall be obligated to pay its proportionate share of the amount needed to pay the Minimum Purchase or Additional Payment amount of any Member Entity that defaults on its obligation to pay for its Minimum Purchase or Additional Payment. The proportionate share of each Member Entity shall be a fraction, the numerator of which shall be the Member Entity's Minimum Purchase or Additional Payment and the denominator of which shall be the Aggregate Minimum Purchases or Additional Payments of all Member Entities. If a revenue shortage occurs due to the default of any Member Entity, the Authority shall send an invoice to each non-defaulting Member Entity stating the amount owed for the non-defaulting Member Entity's respective share of the defaulting Member Entity's shortfall. Each non-defaulting Member Entity shall remit payment to the Authority promptly and in no case less than thirty (30) days from receipt of the invoice. Payment of any such default payment shall not be subject to the disputed bill provisions of Paragraph 6.c. of this Agreement, except as to the amount of the proportionate share that is owed by the non-defaulting Member Entity. Default payments made by non-defaulting Member Entities shall not relieve the defaulting Member Entity of the obligation to pay for its Minimum Purchase or actual purchase of water as properly invoiced. Any subsequent payment by the defaulting Member Entity shall be credited to the accounts of each non-defaulting Member Entity in proportion to their respective share of the default payments made."

8. Exhibit A reads as rewritten:

"Exhibit A

Full Water Requirement and Minimum Water Purchase

Member Entity	Full Water Requirement (MGD) ¹	Minimum Water Purchase (per month) MG ²
City of Kinston	4.094	93.394
Town of Pink Hill	0.087	1.985
North Lenoir Water Corporation	1.194	27.238
Deep Run Water Corp.	0.992	22.630
Bell Arthur Water Corporation	0.722	16.471
Town of Ayden	0.515	11.748
Town of Grifton	0.193	4.403

¹ Full Water Requirements based on 2002 consumption in millions of gallons per day (MGD).

²Based on 75 percent of the Full Water Requirements over a one month period."

9. Exhibit B reads as rewritten:

"Exhibit B

Method for Calculating Unit Rate

The Unit Rate (expressed in \$ per thousand gallons of water) is the sum of the following components:

Debt Service (fixed and variable) on all outstanding financial obligations (including Debt Service Reserve)

+

Operation and Maintenance of the System (including O&M and Capital Reserve)

+

Administrative Expenses of the System (allocation of Authority administrative expenses attributable to management of the System)

=

Unit Rate

For example, based on the 2002 Full Water Requirements and anticipated loan financing for design and construction of the System, an estimated initial unit rate is calculated as follows:

Debt Service	\$ 1.58/1000
O&M & Admin.	\$ 1.03/1000
=	
Unit Rate	\$ 2.61/1000"

10. Except as herein expressly modified and amended, the terms and provisions of the Agreement hereby are ratified and confirmed.

IN TESTIMONY WHEREOF, each Member Entity has caused this Amendment to be executed in its corporate name by its Mayor or President and its seal to be hereunto affixed and attested by its City Clerk or Secretary; and the Authority has caused this Amendment to be executed in its corporate name by its Chairman and its seal to be hereunto affixed and attested by its Secretary, all as of the date first above written.

NEUSE REGIONAL WATER AND SEWER
AUTHORITY

By: Wayne D. Malone
Chairman

[SEAL]
Joel Carter
Secretary

CITY OF KINSTON

By: _____
Mayor

[SEAL]

City Clerk

TOWN OF PINK HILL

By: _____
Mayor

[SEAL]

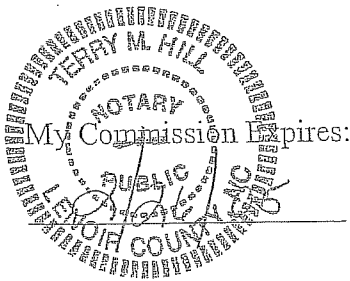
Town Clerk

STATE OF NORTH CAROLINA
COUNTY OF Lenoir

I, Terry M. Hill, a notary public in and for said county and state, do hereby certify that on the 24th day of June, 2004 before me personally appeared Wayne D. Malone, who, being by me duly sworn, says that he is the Chairman of the NEUSE REGIONAL WATER AND SEWER the Authority, a political subdivision of the State, and that Allen Parrott is the Secretary of the NEUSE REGIONAL WATER AND SEWER AUTHORITY, the body politic described in and which executed the foregoing instrument; that he knows its common seal; that the seal affixed to the foregoing instrument is said common seal; that the name of said body politic was subscribed thereto by the said Secretary; that the said common seal was affixed, all by order of its and that the said instrument is its act and deed.

WITNESS my hand and notarial seal, this 24th day of June, 2004.

Terry M. Hill
Notary Public



Notary seal or stamp must appear within above box.

RESOLUTION OF AGREEMENT
TO AMEND THE INTER-LOCAL AGREEMENT FOR WATER SUPPLY
NEUSE REGIONAL WATER AND SEWER AUTHORITY

WHEREAS, the Neuse Regional Water and Sewer Authority ("Authority") was organized under the North Carolina Water and Sewer Authorities Act, N.C. General Statute § 162A, for the purpose of providing water services to the residents of Lenoir, Greene, and Pitt Counties and the surrounding region; and

WHEREAS, the City of Kinston is one of the organizing political subdivisions of the Authority ("Member Entity") and also is the owner and operator of a water system in Lenoir County; and

WHEREAS, the Authority intends to construct a raw water intake on the Neuse River and an associated water treatment and transmission system for supplying treated water to the Member Entities ("Water Project"); and

WHEREAS, the US Department of Agriculture/Rural Development ("USDA") has determined that the Water Project is eligible for loans and grants from USDA and desires to assist the Authority with implementation of the Water Project; and

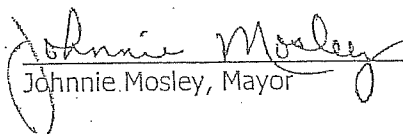
WHEREAS, the Member Entities Town of LaGrange, Town of Farmville, and Greene County have elected not to participate in the Inter-Local Agreement for Water Supply; and

WHEREAS, the remaining seven Member Entities have reaffirmed their commitment to participate in the Water Project and to pay their respective shares of the financial obligations incurred by the Authority for such Water Project;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Kinston hereby expresses its agreement to amend the Inter-Local Agreement for Water Supply ("Agreement") by removing any reference to the Town of LaGrange, Town of Farmville, and Greene County from the text of the Agreement and by making other conforming changes to the Agreement.


Adopted this the 2nd day of August, 2004.

CITY OF KINSTON (Member Entity)

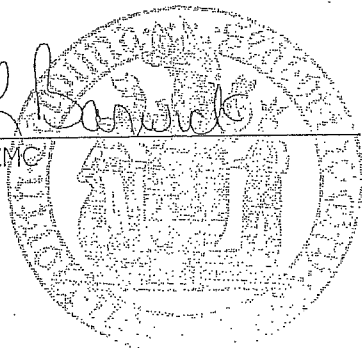


Johnnie Mosley, Mayor


ATTEST:



Carol L. Barwick, CMC
City Clerk



NORTH LENOIR WATER CORPORATION

By: 


President

ATTEST:

Secretary


[CORPORATE SEAL]

DEEP RUN WATER CORP.

By: 

President

ATTEST:



Secretary

[CORPORATE SEAL]

BELL ARTHUR WATER CORPORATION

By: _____
President

ATTEST:

Secretary

[CORPORATE SEAL]

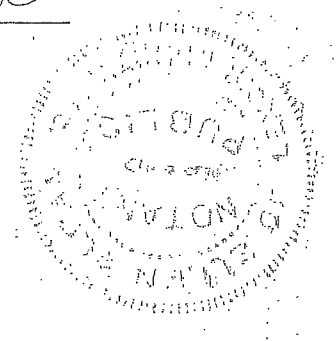
STATE OF NORTH CAROLINA
COUNTY OF Lenoir

I, Opella Sloan, a Notary Public in and for said County and State, do hereby certify that on the 9 day of July, 2004, before me personally appeared Larry Steward with whom I am personally acquainted, who, being by me duly sworn, says that he is the President and that Larry Kennedy is the Secretary of DEEP RUN WATER CORP., the corporation described in and which executed the foregoing instrument; that he knows the common seal of said corporation; that the seal affixed to the foregoing instrument is said common seal; that the name of the corporation was subscribed thereto by the said the President; that the said the President and the Secretary subscribed their names thereto and the said common seal was affixed, all by authority of the Board of Directors of said corporation; and that the said instrument is the act and deed of said corporation.

WITNESS my hand and notarial seal, this the 9th day of July, 2004.

Opella Sloan
Notary Public

My Commission Expires:
July 9, 2007



Notary seal or stamp must appear within above box.

Resolution of the Board of Directors
North Lenoir Water Corporation

WHEREAS, the Board of Directors met on June 16, 2004 for their regular monthly meeting, and

WHEREAS, the Board of Directors motioned to approve FIRST AMENDMENT TO THE INTER-LOCAL AGREEMENT FOR WATER SUPPLY, NEUSE REGIONAL WATER AND SEWER AUTHORITY.

NOW, THEREFORE BE IT RESOLVED THAT, the North Lenoir Water Corporation accept Amendment No. 1 as a part of the INTER-LOCAL AGREEMENT FOR WATER SUPPLY.

This the 16th day of June, 2004

By: John W. Pope
Board Chairman

ATTEST:
By: Ralph Taylor
Secretary

(SEAL)

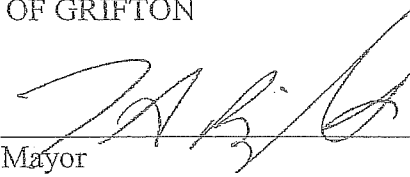
TOWN OF AYDEN

By: _____
Mayor

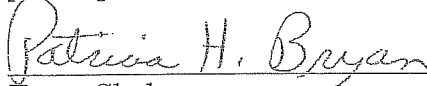
[SEAL]

Town Clerk

TOWN OF GRIFTON

By:  _____
Mayor

[SEAL]

 _____
Town Clerk

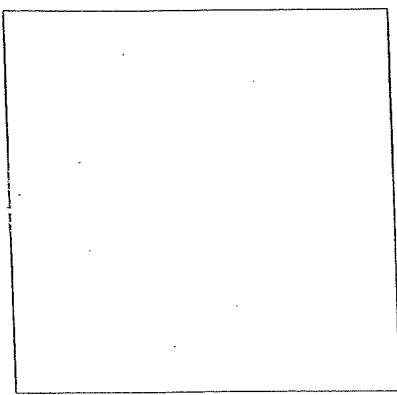
STATE OF NORTH CAROLINA
COUNTY OF PITT

I, J.R. Hudson, a Notary Public in and for said County and State, do hereby certify that on the 29 day of June, 2004, before me personally appeared T.A. Bright with whom I am personally acquainted, who, being by me duly sworn, says that he is Mayor and that Patricia H. Bryant is Town Clerk of the TOWN OF GRIFTON, the municipal corporation described in and which executed the foregoing instrument; that he knows the common seal of said municipal corporation; that the seal affixed to the foregoing instrument is said common seal; that the name of the municipal corporation was subscribed thereto by the said Mayor; that the said Mayor and Town Clerk subscribed their names thereto and the said common seal was affixed, all by authority of the governing body of said municipal corporation; and that the said instrument is the act and deed of said municipal corporation.

WITNESS my hand and notarial seal, this the 29 day of June, 2004.

J.R. Hudson
Notary Public

My Commission Expires:
2-16-09



Notary seal or stamp must appear within above box.

**RESOLUTION OF AGREEMENT
TO AMEND THE INTER-LOCAL
AGREEMENT FOR WATER SUPPLY
NEUSE REGIONAL WATER AND SEWER AUTHORITY**

WHEREAS, the Neuse Regional Water and Sewer Authority (hereinafter referred to as "Authority") was organized under the North Carolina Water and Sewer Authorities Act, N. C. Gen. Stat. § 162A, for the purpose of providing water services to the residents of Lenoir, Greene, and Pitt Counties and the surrounding region; and

WHEREAS, the Town of Pink Hill is one of the organizing political subdivisions of the Authority (hereinafter referred to as "Member Entity") and also is the owner and operator of a water system in Lenoir County; and

WHEREAS, the Authority intends to construct a raw water intake on the Neuse River and associated water treatment and transmission system for supplying treated water to the Member Entities (hereinafter referred to as "Water Project"); and

WHEREAS, the United States Department of Agriculture/Rural Development (hereinafter referred to as "USDA") has determined that the Water Project is eligible for loans and grants from USDA and desires to assist the Authority with implementation of the Water Project; and

WHEREAS, the Member Entities, Town of Farmville and Greene County, have elected not to participate in the Inter-Local Agreement for Water Supply; and

WHEREAS, the remaining Member Entities have reaffirmed their commitment to participate in the Water Project and to pay their respective shares of the financial obligations incurred by the Authority for such Water Project;

NOW, THEREFORE, BE IT RESOLVED that the Board of Commissioners of the Town of Pink Hill hereby expresses its agreement to amend the Inter-Local Agreement for Water Supply (hereinafter referred to as "Agreement") by removing any reference to the Town of Farmville and Greene County from the text of the Agreement and by making other conforming changes to the Agreement.

FROM : TOWN OF PINK HILL


JUL. 21. 2004 11:56AM P 3
PHONE NO. : 252 568 2435

This the 8th day of June, 2004.

Town of Pink Hill

By: 
Anthony Mitchell, Mayor

ATTEST:


Town Clerk

RESOLUTION OF AGREEMENT
TO AMEND THE INTER-LOCAL
AGREEMENT FOR WATER SUPPLY
NEUSE REGIONAL WATER AND SEWER AUTHORITY

03-04-20

WHEREAS, the Neuse Regional Water and Sewer Authority ("Authority") was organized under the North Carolina Water and Sewer Authorities Act, N.C. Gen. Stat. § 162A, for the purpose of providing water services to the residents of Lenoir, Greene, and Pitt Counties and the surrounding region; and

WHEREAS, Town of Ayden is one of the organizing political subdivisions of the Authority ("Member Entity") and also is the owner and operator of a water system in Pitt County; and

WHEREAS, the Authority intends to construct a raw water intake on the Neuse River and an associated water treatment and transmission system for supplying treated water to the Member Entities ("Water Project"); and

WHEREAS, the U.S. Department of Agriculture/Rural Development ("USDA") has determined that the Water Project is eligible for loans and grants from USDA and desires to assist the Authority with implementation of the Water Project; and

WHEREAS, the Member Entities Town of La Grange, Town of Farmville, and Greene County have elected not to participate in the Inter-Local Agreement for Water Supply; and

WHEREAS, the remaining seven Member Entities have reaffirmed their commitment to participate in the Water Project and to pay their respective shares of the financial obligations incurred by the Authority for such Water Project;

NOW, THEREFORE, BE IT RESOLVED that the Ayden Board of Commissioners of the Town of Ayden hereby expresses its agreement to amend the Inter-Local Agreement for Water Supply ("Agreement") by removing any reference to the Town of La Grange, Town of Farmville, and Greene County from the text of the Agreement and by making other conforming changes to the Agreement.

This the 24 day of May, 2004.

THE TOWN OF AYDEN

By: Stephen D. Lujan
(Title)

ATTEST

Dorothy C Bridges
(Title)
Town Clerk

NORTH LENOIR WATER CORPORATION

By: _____
President

ATTEST:

Secretary

[CORPORATE SEAL]

DEEP RUN WATER CORP.

By: _____
President

ATTEST:

Secretary

[CORPORATE SEAL]

BELL ARTHUR WATER CORPORATION

By: Glenn Stinson
President

ATTEST:

Virgil E. Ornel
Secretary

[CORPORATE SEAL]

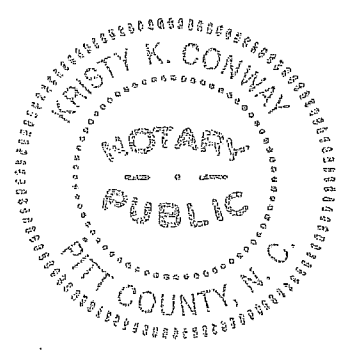
STATE OF NORTH CAROLINA
COUNTY OF Pitt

I, Kristy K. Conway, a Notary Public in and for said County and State, do hereby certify that on the 28th day of June, 2004, before me personally appeared W. Glenn Strickland with whom I am personally acquainted, who, being by me duly sworn, says that he is the President and that Virgil O'Neal is the Secretary of BELL ARTHUR WATER CORPORATION, the corporation described in and which executed the foregoing instrument; that he knows the common seal of said corporation; that the seal affixed to the foregoing instrument is said common seal; that the name of the corporation was subscribed thereto by the said ~~documented~~ President; that the said ~~documented~~ President and ~~documented~~ Secretary subscribed their names thereto and the said common seal was affixed, all by authority of the Board of Directors of said corporation; and that the said instrument is the act and deed of said corporation.

WITNESS my hand and notarial seal, this the 28th day of June, 2004.

Kristy K. Conway
Notary Public

My Commission Expires:
5/6/08



Notary seal or stamp must appear within above box.