

INTERGOVERNMENTAL CONTRACT

HARD LABOR CREEK RESERVOIR PROJECT

THIS INTERGOVERNMENTAL CONTRACT - RESERVOIR PROJECT (this "Contract") is entered into as of the 1st day of October, 2007, between **OCONEE COUNTY**, a political subdivision of the State of Georgia (the "County"), and the **WALTON COUNTY WATER AND SEWERAGE AUTHORITY**, a body corporate and politic and an instrumentality of the State of Georgia (the "Authority").

WHEREAS, the Authority was duly created and is validly existing pursuant to an Act of the General Assembly of the State of Georgia (Ga. L. 1972, p. 3623 *et seq.*) (the "Act") and owns a water and sewerage system (the "System") in Walton County; and

WHEREAS, under the Act and under Article IX, Section III of the Constitution of the State of Georgia, the Authority has, among others, the power (a) to undertake the financing of the acquisition, construction, installation and equipping of certain land and facilities located on Hard Labor Creek in Walton County, Georgia for the purpose of constructing a new reservoir and related treatment facilities and other related facilities (the "Reservoir Project"), (b) to issue revenue bonds, notes or other obligations for the purpose of financing or refinancing, in whole or in part, the costs of the Reservoir Project, and (iii) to enter into intergovernmental agreements relating to the facilities and services of the Authority; and

WHEREAS, after consideration by the Authority and the County, the Authority proposes to acquire, construct and install the Reservoir Project and to issue revenue bonds, notes or other obligations (the "Bonds"), as determined by the Authority to finance the cost of the Reservoir Project; and

WHEREAS, the Authority has determined that the issuance of such Bonds and the acquisition, construction and installation of the Reservoir Project will provide the Authority with additional water supplies to serve the needs of the citizens of the County served by the Authority's System and further the public purposes for which the Authority was created; and

WHEREAS, each series of Bonds will be issued under a resolution of the Authority or a trust indenture (such resolution or trust indenture, the "Indenture") between the Authority and a trustee to be designated by the Authority prior to the issuance of such series of Bonds (the "Trustee"), and under such Indenture, the Authority will pledge the trust estate created thereunder (the "Trust Estate") to secure the Bonds issued from time to time thereunder; and

WHEREAS, pursuant to the Constitution and laws of the State of Georgia, the County is authorized and permitted to provide water and sewerage services to the citizens of the County or to contract with the Authority for such purpose; and

WHEREAS, Article IX, Section III, Paragraph I(a) of the Georgia Constitution authorizes, among other things, any county, municipality or other political subdivision of the State to contract, for a period not exceeding 50 years, with another county, municipality or

political subdivision or with any other public agency, public corporation or public authority for joint services, for the provision of services, or for the provision or separate use of facilities or equipment, provided that such contract deals with activities, services or facilities which the contracting parties are authorized by law to undertake or to provide.

NOW THEREFORE, in consideration of the premises and the undertakings set forth in this Contract, the parties hereto agree as follows:

1.

This Contract shall become effective upon the date of execution and delivery of this Contract by the parties to this Contract and shall continue in effect until the date when the principal of and the interest on all series of Bonds secured under this Contract shall have been fully paid or shall be deemed to have been fully paid (within the meaning of the Indenture relating to such Bonds); but in no event shall the term of this Contract extend for more than 50 years from its effective date.

2.

The Authority agrees as follows:

(a) For the purpose of financing all or a portion of the costs of acquiring, constructing and equipping the Reservoir Project, the Authority agrees to issue the Bonds, in one or more series, the specific amount, interest rate or rates (whether fixed or variable), maturity date or dates and other terms of each series to be determined by the Authority at or prior to the time of issuance thereof. If such Bonds are to be secured by payments from the County under this Contract, the County and the Authority shall enter into an amendment or supplement to this Contract at or prior to the date of issuance of such series of the Bonds identifying the specific series of Bonds as Bonds secured by this Contract. Upon receipt of the proceeds from the sale of a series of Bonds secured under this Contract, the Authority will deposit the proceeds thereof (net of any costs of issuance or other similar costs) into the Construction Fund created under the Indenture to finance all or a portion of the costs of the Reservoir Project or to pay any other cost or expense as may be approved by the County. The Authority may, in connection with any series of the Bonds, provide for the creation of reserves for the repayment of such Bonds, provide and pay for liquidity or credit facilities relating to such Bonds or enter into such other arrangements relating to such Bonds (including interest rate swaps, caps, collars or other similar agreements) as the Authority may determine to be advisable.

(b) From time to time during the term of this Contract (the specific times to be determined by an amendment or supplement to this Agreement providing for, among other things, the details of any series of Bonds), the Authority shall determine the amount of money then in the sinking fund or bond fund created pursuant to the Indenture relating to the Bonds (the "Sinking Fund"), and available for the payment of the principal of and interest becoming due and payable on the next interest payment date with respect to the Bonds. The Authority (or the Trustee for the related series of the Bonds) shall give written notice to the County of any deficiency in the amount needed to pay debt service on the Bonds secured hereunder on the next

succeeding Interest Payment Date or payment date. The parties hereto acknowledge that the frequency of the Trustee's determination of sufficient funds will change depending on the interest rate mode and other factors relating to the specific series of the Bonds.

(c) The Authority shall not issue any other obligations of any kind payable from or enjoying a lien on the monies authorized to be appropriated and paid by the County under this Contract prior to or superior to the lien for the payment of the principal of (and premium, if any) and interest on the Bonds. Nothing contained herein shall otherwise restrict the issuance by the Authority of additional Bonds from time to time which are either secured under this Contract (subject to the limits provided herein) or unsecured under this Contract and which will be secured by a lien on the net revenues of the System, the proceeds of which may be applied to the payment of costs of the Reservoir Project, the costs of other extensions or improvements to the System, or to the payment of any other project or purpose which the Authority is authorized under law to undertake.

(d) The Authority specifically acknowledges and agrees that notwithstanding anything in this Section 2, the Authority may not borrow any money or issue any Bonds without the consent of the Board of Commissioners of the County.

3.

In consideration of the facilities and services of the Authority under this Contract, the County agrees as follows:

(a) It shall pay to the Trustee or custodian of the Sinking Fund for the benefit of the Authority until each series of Bonds secured hereunder has been fully paid within the meaning of the Indenture moneys sufficient to provide for the payment of the principal of and interest on the Bonds when due to the extent the net revenues of the System deposited into the Sinking Fund and available for the payment of such principal and interest are insufficient for such purpose. The Authority and the County agree as follows:

(1) the maximum aggregate amount of Bonds with respect to which the County shall be obligated under this paragraph relating to the Reservoir Project shall not exceed \$66,000,000 including, for purposes of this limitation, any original issue premium on the sale of Bonds as "principal" for such \$66,000,000 limit and excluding any obligations which are no longer deemed outstanding under the terms of the Indenture or which will no longer be deemed to be outstanding following the issuance of any Bonds secured hereunder;

(2) the maximum interest rate per annum on any Bonds secured by this Contract shall not exceed 15% per annum;

(3) the latest maturity date on any Bonds secured by this Contract shall not be later than October 1, 2057; and

(4) the maximum annual debt service on all Bonds secured under this Contract (excluding any obligations which are no longer deemed outstanding under the terms of the Indenture or which will no longer be deemed to be outstanding following the issuance of any Bonds secured hereunder) shall not exceed \$7,900,000.

The County and the Authority agree the manner of providing for such payments by the County as to any specific series of the Bonds secured under this Contract shall be provided in the supplement or amendment to this Contract relating to such specific series of the Bonds, but generally shall be as follows:

(i) On a specified day or days during the term of this Contract, the County shall pay to the Trustee or Sinking Fund custodian for the benefit of Authority, an amount of money equal to the amount necessary to pay the principal (and redemption premium, if any) which will become due and payable with respect to such Bonds on the next succeeding principal payment date or redemption date, less the amount of money on hand in such Sinking Fund on a specified date which is available for the payment of such principal and redemption premium, if any; and

(ii) On the day or days specified in the amendment or supplement to this Contract relating to any series of the Bonds secured hereunder during the term of this Contract, the County shall pay to the Trustee or Sinking Fund custodian for the benefit of the Authority, an amount of money equal to the amount necessary to pay the interest or other amounts which will become due and payable with respect to such Bonds on the next succeeding interest payment date or other payment date, less the amount of money on hand in the Sinking Fund on such date which is available for the payment of such amounts.

(b) The County agrees with the Authority for the benefit of the purchasers of the Bonds of any series secured under this Contract that it shall levy an annual tax on all taxable property located within the boundaries of the County which is subject to taxation for general county purposes as may be necessary to make the payments called for by this Contract. Nothing herein contained, however, shall be construed as limiting the right of the County to make the payments called for by this Contract out of general funds or from other revenue sources.

(c) In order to assure that the payments required pursuant to the provisions of paragraph 3(a) hereof are made in a timely manner and without diminution, there shall be and there is hereby created a first and prior lien on any and all moneys realized by the County under and pursuant to the annual tax levied in accordance with the provisions of paragraph 3(b) hereof which lien shall be superior to any lien that can hereafter be created thereon.

(d) The Authority agrees to provide to the County annually a copy of its budget and an estimate, based on such budget, of any payments projected to be required to be made by the County under this Contract, but the failure of the Authority to provide the same or any difference between such estimate and the amount actually required to be paid by the County hereunder shall not relieve the County of any obligation hereunder to make such payments in the amounts and at

the times required to provide for the payment of amounts due on the Bonds secured under this Contract as and when the same are due and payable.

(e) The obligation of the County to make the payments required pursuant to the provisions of paragraph 3(a) hereof at the times and in the manner specified shall be absolute and unconditional and such payments shall not be abated or reduced because of (i) any failure or inability of the Authority to complete the Reservoir Project, whether or not as a result of any action or inaction on the part of the Authority or any other person or entity, or to place the same in service, (ii) any increase in the cost of the Reservoir Project, (iii) damage to or destruction of the Reservoir Project, or any failure or inability to withdraw or treat water from the Reservoir Project, or to deliver the same, (iv) any failure or default on the part of the Authority under this Contract or under any other document, (v) any lack of notice of amounts due from the Authority or the Trustee or Sinking Fund custodian under this Contract, or (vi) for any reason whatsoever. Furthermore, the County shall not exercise any right of set-off or any similar right with respect to such payments, nor will it withhold any such payments because of any claimed breach of this Contract or any other obligation by the Authority. This provision is incorporated in this Contract for the benefit of the owners of the Bonds, and it shall not affect the obligation of the Authority to perform this Contract or otherwise, nor shall this provision otherwise affect the remedies available to the County on account of any such claimed breach by the Authority.

(f) The County further agrees to pay to the Authority (or to the Trustee at the direction of the Authority) from time to time (1) an amount equal to the fees and expenses of the Trustee and any co-Trustee or agents of the Trustee as the same become due and payable, and (2) an amount sufficient to enable the Authority to pay any rebate required to be paid with respect to the Bonds under Section 148 of the Internal Revenue Code.

4.

The Authority and the County agree as follows:

(a) Prior to or after the issuance of any of the Bonds, the Authority may, from time to time, with the consent of the Board of Commissioners of the County, issue additional indebtedness ranking on a parity with the Bonds, whether or not secured under this Contract, and the Authority may, with the consent of the Board of Commissioners of the County, incur subordinate indebtedness or unsecured indebtedness from time to time.

(b) The Authority shall pay the principal of and the interest on the Bonds, as the same becomes due and payable, from the Trust Estate or moneys pledged to the payment thereof under the Indenture relating to the Bonds. The Bonds will be limited obligations of the Authority payable solely from the Trust Estate or moneys pledged to the payment thereof. The Authority shall have the right, pursuant to the terms of the Indenture, to cause the Bonds to bear interest in any interest rate mode provided or permitted under the terms of the Indenture with the consent of the Board of Commissioners of the County. The Authority shall have the option to call any of the Bonds for redemption at the times and in the manner provided in the Indenture relating thereto provided that it has the consent of the Board of Commissioners of the County.

(c) While nominally this Contract is between the County and the Authority, it is acknowledged that the owners from time to time of the Bonds have an interest herein, and the parties hereto understand that this Contract shall not be modified or amended in any particular which would in any respect adversely affect the rights of the owners of the Bonds; provided, however, this Contract may be amended by enlarging the obligations of the County to make payments so as to permit the issuance of additional indebtedness secured hereunder or to further clarify or effectuate the equal or pro rata lien on tax revenues to support payments under this Contract, and this Contract may be amended to make any other changes which do not adversely affect the rights of the owners of the Bonds. No amendment or modification of this Contract shall be effective unless executed by both the Authority and the County.

(d) The parties to this Contract acknowledge and agree that this Contract will be supplemented and amended from time to time (subject to paragraph 4(c) above) in order to reflect among other things, (i) the specific terms of the Bonds covered by payments under Section 3(a) of this Contract, and (ii) the dates and times on which notices and payments are due, and other similar provisions. The County acknowledges and agrees that the County will participate in the validation of the Bonds, and that information about the County, its demographics, financial statements, tax digest and other similar materials will be a material part of the information needed in connection with the issuance and sale of the Bonds secured by this Contract, and the County agrees to provide such information from time to time as reasonably requested by the Authority; provided, however, that any expenses of auditors, counsel to the County or other similar costs incurred by the County in connection with providing such information shall be paid (or reimbursed to the County) by the Authority from the proceeds of such Bonds or other funds available to the Authority unless the County shall agree at the time to pay such costs. The County further agrees in connection with the issuance and sale of such Bonds to provide such comfort letters, legal opinions concerning the validity or enforceability of this Contract (as amended or supplemented) and such other continuing disclosure agreements, representations and other materials as may be reasonably required from the County in connection with the transactions contemplated by this Contract (including the authorization, sale, marketing and issuance of the Bonds from time to time); provided, however, that any expenses of auditors, counsel to the County or other similar costs incurred by the County in connection with providing such materials shall be paid (or reimbursed to the County) by the Authority from the proceeds of such Bonds or other funds available to the Authority unless the County shall agree at the time to pay such costs.

(e) Nothing in this Contract is intended to replace, supersede or otherwise contradict or override any agreement between the County and the Authority presently in effect.

(f) Should any phrase, clause, sentence or paragraph herein contained be held invalid or unconstitutional, it shall in nowise affect the remaining provisions of this Contract, which such provisions shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto, acting by and through their duly authorized officers, have caused this Intergovernmental Contract to be executed as of the day and year first above written.

OCONEE COUNTY, GEORGIA


By: Melvin Davis
Chairman, Board of Commissioners

(S E A L)

Attest:

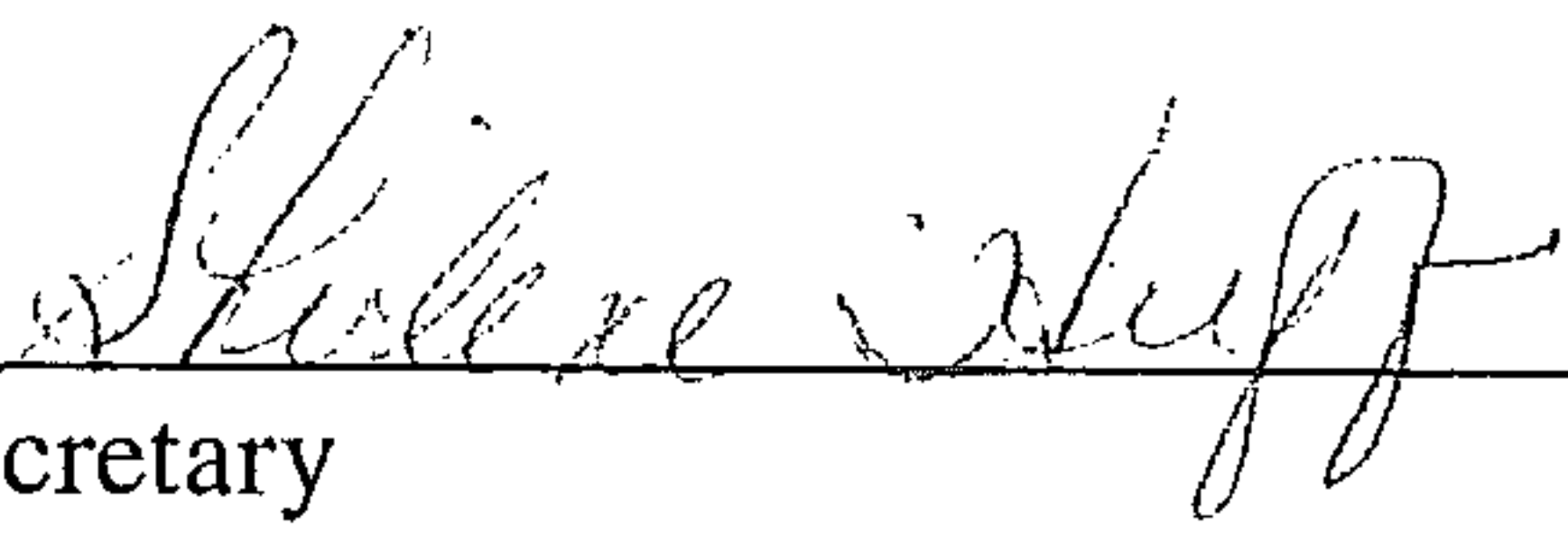
Livia M. Lindoay
Clerk, Board of Commissioners

WALTON COUNTY WATER AND
SEWERAGE AUTHORITY

By: 
Chairman

(S E A L)

Attest:


Secretary

(Signature Page – Intergovernmental Contract - Reservoir Project)