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LEASE CONTRACT

between

ROCKDALE COUNTY WATER AND SEWERAGE AUTHORITY

and

ROCKDALE COUNTY

Dated as of November 1, 1996

FILED & RECORDED  
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GWINNETT COUNTY, GA.  
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LEASE CONTRACT

THIS LEASE CONTRACT is entered into as of November 1, 1996 (this "Lease"), between the ROCKDALE COUNTY WATER AND SEWERAGE AUTHORITY (the "Authority"), a public body corporate and politic of the State of Georgia created and existing under the Constitution of the State of Georgia, as lessor, and ROCKDALE COUNTY (the "County"), a political subdivision of the State of Georgia, as lessee.

## WITNESSETH:

In consideration of the respective representations and contracts hereinafter contained, the Authority and the County agree as follows:

## ARTICLE I.

DEFINITIONS

Capitalized terms used but not defined herein shall have the meanings assigned to them in the Resolution. In addition to the words and terms elsewhere defined in this Lease, the following words and terms as used in this Lease shall have the following meanings unless the context or use indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of the words and terms herein defined:

**"Asset Purchase Agreement"** means the Agreement for Transfer and Acquisition of Assets of the Water and Sewer System, dated November 11, 1996, between the City of Conyers, Georgia and Rockdale County, Georgia, as amended.

**"Late Payment Rate"** means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by The Chase Manhattan Bank (N.A.) at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by The Chase Manhattan Bank (N.A.)) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event The Chase Manhattan Bank (N.A.) ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Insurer shall specify.

**"Lease Term"** shall have the meaning specified in Section 5.1 hereof.

**"Leased Facilities"** means the 1996 Project, any additional water and sewerage facilities financed with the proceeds of Obligations, any water and sewerage facilities purchased with revenues of the System or any water and sewerage facilities expressly made subject to the Lease, including, without limitation, the real property and interests therein described in Exhibit A attached hereto and hereby incorporated herein and the personal property described in Exhibit B attached hereto and hereby incorporated herein.

**"Permitted Investments"** means and includes any of the following securities, if and to the extent the same are at the time legal for investment of Authority and County funds:

- (a) the local government investment pool created in Chapter 83 of Title 36 of the Official Code of Georgia Annotated, as amended;
- (b) bonds or obligations of the State of Georgia, or of other counties, municipal corporations, and political subdivisions of the State of Georgia;

(c) bonds or other obligations of the United States or of subsidiary corporations of the United States government which are fully guaranteed by such government;

(d) obligations of agencies of the United States government issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Central Bank for Cooperatives;

(e) bonds or other obligations issued by any public housing agency or municipal corporation in the United States, which such bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or project notes issued by any public housing agency, urban renewal agency, or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States government;

(f) certificates of deposit of national or state banks located within the State of Georgia which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan or savings and loan associations located within the State of Georgia which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian, or trustee for any of the proceeds of the Certificates. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, if any, shall be secured by deposit, with the Federal Reserve Bank of Atlanta, Georgia, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association located within the State of Georgia, of one or more of the following securities in an aggregate principal amount equal at least to the amount of such excess: direct and general obligations of the State of Georgia or of any county or municipal corporation in the State of Georgia, obligations of the United States or subsidiary corporations referred to in paragraph (c) above, obligations of the agencies of the United States government referred to in paragraph (d) above, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities referred to in paragraph (e) above;

(g) securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

- (i) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referred to in paragraph (c) above and repurchase agreements fully collateralized by any such obligations;
- (ii) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;
- (iii) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and
- (iv) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State of Georgia; and
- (h) any other investments authorized by the laws of the State of Georgia.

**"Renewal and Extension Fund"** means the Rockdale County Water and Sewerage Renewal and Extension Fund created in Article V, Section 5.7 of this Lease.

**"Renewal and Extension Fund Depository"** means initially SunTrust Bank, Atlanta, Atlanta, Georgia, its successors and assigns, or any successor depository for the Renewal and Extension Fund hereafter appointed by the County; provided, however, the Renewal and Extension Fund Depository shall at all times be a commercial bank.

**"Resolution"** means that certain resolution of the Authority adopted November 12, 1996, as amended on December 4, 1996 authorizing the issuance of the Series 1996 Bonds, as amended and supplemented from time to time.

**"Revenue Fund"** means the Rockdale County Water and Sewerage Revenue Fund created in Article V, Section 5.3 of this Lease.

**"Revenue Fund Depository"** means initially SunTrust Bank, Atlanta, Atlanta, Georgia, its successors and assigns, or any successor depository for the Revenue Fund hereafter appointed by the County; provided, however, the Revenue Fund Depository shall at all times be a commercial bank.

**"Subordinate Bonds"** means any indebtedness of the County payable from the Net Revenues and secured by a lien on such Net Revenues expressly junior and subordinate to the lien securing the payment of the Lease Payments created on the Net Revenues under this Lease.

## ARTICLE II.

## REPRESENTATIONS

**Section 2.1. Representations by the Authority.** The Authority makes the following representations as the basis for the undertakings on its part herein contained:

(a) The Authority is a public body corporate and politic duly created and organized under the Constitution and laws of the State. Under the provisions of the Act, the Authority is authorized to (i) adopt the Resolution, (ii) issue, execute, deliver and perform its obligations under the Series 1996 Bonds, and (iii) execute, deliver and perform its obligations under this Lease. The Resolution has been duly adopted and has not been modified or repealed. The Authority has duly authorized the (i) issuance, execution, delivery and performance of the Series 1996 Bonds and (ii) the execution, delivery and performance of this Lease. The Resolution, the Series 1996 Bonds and this Lease are valid, binding and enforceable obligations of the Authority.

(b) No approval or other action by any governmental authority or agency or other person is required in connection with the (i) acquisition, construction and equipping of the 1996 Project, (ii) issuance of the Series 1996 Bonds, or (iii) execution, delivery and performance of this Lease by the Authority except as shall have been obtained as of the date hereof; provided, however, no representation is given with respect to any "blue sky" laws.

(c) The adoption of the Resolution, the issuance of the Series 1996 Bonds and the authorization, execution, delivery and performance by the Authority of this Lease do not violate the Act, the Authority's bylaws or the laws or Constitution of the State and do not constitute a breach of or a default under any existing court order, administrative regulation, or other legal decree, or any agreement, indenture, mortgage, lease, note or other instrument to which it is a party or by which it is bound.

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Authority, threatened against or affecting the Authority (or, to the knowledge of the Authority, any meritorious basis therefor) (i) attempting to limit, enjoin or otherwise restrict or prevent the Authority from issuing the Series 1996 Bonds or acquiring, constructing and equipping the 1996 Project, (ii) contesting or questioning the existence of the Authority or the titles of the present officers of the Authority to their offices or (iii) wherein an unfavorable decision, ruling or finding would (A) adversely affect the enforceability of the Series 1996 Bonds, the Resolution, or this Lease, or (B) materially adversely affect (1) the financial condition or results of operations of the Authority, (2) the transactions contemplated by this Lease, or (3) the exemption of the interest on the Series 1996 Bonds from federal or State income taxation.

(e) The Authority is not in violation of the Act, its bylaws or the laws or Constitution of the State and is not in default under any existing court order, administrative regulation, or other legal decree, or any agreement, indenture, mortgage, lease, note or other instrument to which it is a party or by which it is bound.

(f) The 1996 Project constitutes, and at all times will constitute, a "project" within the meaning of the Act, and the Authority, in assisting with the financing of the costs of acquiring, constructing and equipping the 1996 Project, will be acting in accordance with the public purpose expressed in the Act.

The Authority makes no representation or warranty with respect to the 1996 Project, except as set forth above. THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE CONDITION OR WORKMANSHIP OF ANY PART OF THE 1996 PROJECT OR ITS SUITABILITY FOR THE COUNTY'S PURPOSES or the extent to which proceeds of the Series 1996 Bonds will pay the costs incurred in connection therewith.

The Authority makes no representation as to the financial position or business condition of the County and does not represent or warrant as to any of the statements, materials (financial or otherwise), representations or certifications furnished or to be made and furnished by the County in connection with the sale of the Series 1996 Bonds, or as to the correctness, completeness or accuracy of such statements.

**Section 2.2. Representations by the County.** The County makes the following representations as the basis for the undertakings on its part herein contained:

(a) The County is a political subdivision of the State of Georgia duly created and organized under the Constitution and laws of the State. Under the Constitution and laws of the State, the County is authorized to execute, deliver and perform its obligations under this Lease. The County has duly authorized the execution, delivery and performance of this Lease. This Lease is a valid, binding and enforceable obligation of the County.

(b) No approval or other action by any governmental authority or agency or other person is required in connection with the (i) acquisition, construction and equipping of the 1996 Project, or (ii) execution, delivery and performance of this Lease by the County except as shall have been obtained as of the date hereof. The County has obtained all the licenses and permits necessary to operate the System.

(c) The authorization, execution, delivery and performance by the County of this Lease do not violate the laws or Constitution of the State and do not constitute a breach of or a default under any existing court order, administrative regulation, or other legal decree, or any agreement, indenture, mortgage, lease, note or other instrument to which it is a party or by which it is bound.

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the County, threatened against or affecting the County (or, to the knowledge of the County, any meritorious basis therefor) (i) attempting to limit, enjoin or otherwise restrict or prevent the County from acquiring, constructing and equipping the 1996 Project, (ii) contesting or questioning the existence of the County or the titles of the present officers of the County to their offices or (iii) wherein an unfavorable decision, ruling or finding would (A) adversely affect the enforceability of this Lease, or (B) materially adversely affect (1) the financial condition or results of operations of the County, (2) the transactions contemplated by this Lease, or (3) the exemption of the interest on the Series 1996 Bonds from federal or State income taxation.

(e) The County is not in violation of the laws or the Constitution of the State and is not in default under any existing court order, administrative regulation, or other legal decree, or any agreement, indenture, mortgage, lease, note or other instrument to which it is a party or by which it is bound.

ARTICLE III.

LEASING

3.1. Leasing. The Authority hereby leases to the County, and the County hereby leases from the Authority, the Leased Facilities at the rental set forth in Section 5.5 hereof and in accordance with the provisions of this Lease.

## ARTICLE IV.

**COMMENCEMENT AND COMPLETION  
OF THE 1996 PROJECT; ISSUANCE OF THE SERIES 1996 BONDS**

**Section 4.1. Agreement to Construct the Projects.** The Authority hereby appoints the County as its agent to proceed forthwith to complete the acquisition, construction and equipping of the 1996 Project. The Asset Purchase Agreement and the Engineering Report are by this reference incorporated herein. The County shall obtain all necessary approvals from any and all governmental agencies requisite to the acquisition, construction and equipping of the 1996 Project. The 1996 Project shall be acquired, constructed and installed in compliance with all Federal, state and local laws, ordinances and regulations applicable thereto. The County will take such action and institute such proceedings as it shall deem appropriate to cause and require all contractors and suppliers of materials to complete their contracts, including the correcting of any defective work, and the Authority agrees that the County may, from time to time, in its own name, or in the name of the Authority, take such action as may be necessary or advisable, as determined by the County, to assure that the acquisition, construction and equipping of the 1996 Project will proceed in an efficient and workmanlike manner. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing shall (a) if County has corrected at its own expense the matter which gave rise to such default or breach, be paid to the County and deposited by the County in the Renewal and Extension Fund or (b) if County has not corrected at its own expense the matter which gave rise to such default or breach, be paid into the Construction Fund.

The County, as agent for the Authority, shall acquire, construct and equip the 1996 Project with all reasonable dispatch and shall use its best efforts to cause the acquisition, construction and equipping to be completed as soon as may be practical, delays incident to strikes, riots, acts of God or the public enemy beyond the reasonable control of the County excepted; but if for any reason such acquisition, construction and equipping is not completed by any specified date there shall be no resulting liability on the part of the County, and the County shall be required to continue to make the rental payments specified herein as and when required without diminution or postponement.

**Section 4.2. Agreement to Issue Series 1996 Bonds Application of Bond Proceeds.** The Authority agrees that it will validate and cause to be issued the Series 1996 Bonds, the proceeds of which shall be applied as provided in Article IV, Section 1 of the Resolution.

**Section 4.3. Construction.**

(a) The County shall create on its books and records special accounts for the Construction Fund one to be designated the "Series 1996 Capital Improvement Account." As to any issue of Additional Bonds or any other moneys made available by the Authority providing Construction Fund moneys, a separate account each of which shall be designated as "Series \_\_\_\_\_"

Account" (hereinafter referred to as a "Capital Improvement Account"). Subject to subparagraph (b) below, the moneys credited to the Series 1996 Capital Improvement Account, together with any other moneys acquired for this purpose by gift, donation, grant or otherwise, shall be used and applied for the purpose of paying the cost of the 1996 Project in accordance with the Asset Purchase Agreement and the Engineering Report and otherwise disbursed as herein provided. The moneys derived from the sale of any Additional Bonds under the Resolution or otherwise made available by the Authority to be credited to the related Capital Improvement Account shall be used and applied together with any other moneys acquired for this purpose by gift, donation, grant or otherwise for the purpose of paying the cost of additions, extensions and improvements to the Leased Facilities.

(b) Upon completion of the projects and after payment of all expenses with respect thereto, all moneys credited to the related Capital Improvement Account may, at the direction of the County, be credited to any other Capital Improvement Account and used to complete the projects with respect to which such Capital Improvement Account was created.

(c) All payments from the Construction Fund shall be made upon checks signed by the Construction Fund Depository or officers of the County properly authorized to sign on its behalf, but before they shall sign any such checks there shall be filed with the Construction Fund Depository:

(1) A requisition for such payment (the above-mentioned checks may be deemed a requisition for the purpose of this Section), stating each amount to be paid, and the name of the person, firm or corporation to whom payment thereof is due; and

(2) A certificate signed by such officers, attached to the requisition and certifying:

(i) That an obligation in the stated amount has been incurred by the County on behalf of the Authority, specifying the purpose and circumstances of such obligation in reasonable detail and to whom such obligation is owed, that the same is a proper charge against the Construction Fund and has not been paid, and that the bill or statement of account for such obligation is on file with the County;

(ii) That they have no notice of any vendors, mechanic's or other liens or rights to liens, chattel mortgages, conditional sales contracts or any security interest, which should be satisfied or discharged before such payment is made;

(iii) That such requisition contains no item representing payment on account or any retained percentages which the County or the Authority is, at the date of such certificate, entitled to retain; and

(iv) That insofar as such obligation was incurred for work, materials, supplies or equipment in connection with the undertaking, such work was actually

performed, or such materials, supplies or equipment were actually installed in or about the construction or delivered at the site of the work for that purpose.

(d) The County will do all things, and take all reasonable and prudent measures, necessary to continue construction with due diligence and to expend the moneys credited to each Capital Improvement Account in the Construction Fund as expeditiously as possible in order to assure the completion of the projects for which such accounts were created, on the earliest practicable date, and will indemnify itself and the Authority against the usual hazards incident to the construction of such projects, and without in any way limiting the generality of the above, agrees to: (a) require each construction contractor, and each subcontractor to furnish a bond, or bonds, of such type and in amounts adequate to assure the faithful performance of their contracts and the payment of all bills and claims for labor and material arising by virtue of such contract; and (b) require each construction contractor or the subcontractor to maintain at all times until the completion and acceptance of the undertaking adequate compensation insurance for all of their employees and adequate public liability and property damage insurance for the full and complete protection of the Authority and the County from any and all claims of every kind and character which may arise by virtue of the operations under their contracts, whether such operations be by themselves or by anyone directly or indirectly for them, or under their control.

(e) All requisitions and certificates required by this Section shall be retained either by the Construction Fund Depository or by the Authority or the County, subject at all times to inspection by any officer of the Authority or any bondowner.

**Section 4.4. In Event Construction Fund Insufficient.** The Authority does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund under the provisions of this Lease will be sufficient to pay all the costs of the projects which will be incurred in that connection. The County agrees that, if after exhaustion of the moneys in the Construction Fund the County should pay any portion of the costs of the projects it shall not be entitled to any reimbursement therefor from the Authority or from the holders of any of the Bonds, nor shall it be entitled to any diminution in or postponement or abatement of the amount of the rents and other amounts payable under Article V hereof.

**Section 4.5. Investment of Construction Fund Moneys.** Any moneys held in the Construction Fund shall be invested or reinvested at the direction of the County in Permitted Investments.

## ARTICLE V.

**EFFECTIVE DATE OF THIS LEASE; DURATION  
OF LEASE TERM; RENTAL PROVISIONS; FLOW OF FUNDS**

**Section 5.1. Effective Date of this Lease; Duration of Lease Term.** This Lease shall become effective as of November 1, 1996 and the leasehold interest created by this Lease shall then begin, and, subject to the other provisions of this Lease (including particularly Article IX hereof), shall expire July 2, 2022, or if at said time and on said date all of the Bonds have not been paid in full, then on such date as such payment shall have been made, but in no event in excess of fifty (50) years from the date hereof.

**Section 5.2. Delivery and Acceptance of Possession.** The Authority agrees to deliver to the County sole and exclusive possession of the Leased Facilities upon delivery of the Series 1996 Bonds and the County agrees to accept possession of the Leased Facilities upon delivery of the Series 1996 Bonds upon such delivery.

**Section 5.3. Revenue Fund.** All revenues arising from the operation of the System shall be collected by the County or by its agents or employees and deposited promptly with the Revenue Fund Depository to the credit of a special trust fund which is hereby created and designated as the "Rockdale County Water and Sewerage Revenue Fund;" and the County shall continue to maintain the Revenue Fund separate and apart from its other funds so long as the Series 1996 Bonds or any Additional Bonds hereafter issued are outstanding and unpaid or until provision shall have been duly made for the payment thereof. Such revenues shall be disbursed from the Revenue Fund to the extent and in the manner and order hereinafter set forth. Moneys on deposit in the Revenue Fund shall be invested in any investment authorized by the laws of the State.

**Section 5.4. Operating Expenses.** There shall first be paid from the Revenue Fund by the County the reasonable and necessary costs of operating, maintaining and repairing the System, including salaries, wages, employee benefits, the payment of any contractual obligations incurred pertaining to the operation of the System, cost of materials and supplies, rentals (excluding Lease Payments) of leased property, real or personal, insurance premiums, audit fees, any incidental expenses of the Authority and such other charges as may properly be made for the purpose of operating, maintaining and repairing the System in accordance with sound business practice, but before making provision for depreciation, interest expense and amortization.

**Section 5.5. Lease Payments.**

(a) After there have been paid from the Revenue Fund the sums required or permitted to be paid pursuant to the provisions of Section 5.4 above, on or before the last day of each month, commencing with the month of December, 1996, the County shall make the Basic Lease

Payment applicable to the Bonds to the Authority by payment directly to the Sinking Fund Custodian for deposit into the Debt Service Account.

(b) After making the Basic Lease Payment, the County shall make the Supplemental Lease Payment to the Authority by payment directly to the Sinking Fund Custodian for deposit into the Reserve Account. The County hereby acknowledges and agrees that the Supplemental Lease Payment shall include interest and expenses with respect to amounts drawn under the Debt Service Reserve Surety Bond and the Credit or Liquidity Facility.

**Section 5.6. Pledge of Revenues.** The Net Revenues remaining in the Revenue Fund after the payment of the sums required or permitted to be paid under the provisions of the preceding Section 5.4 are hereby pledged to the payment of the Lease Payments. The Net Revenues so pledged shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act and the lien of this pledge shall be valid and binding against the County and against all parties having claims of any kind against it, whether such claims shall have arisen in contract, tort or otherwise and irrespective of whether or not such parties have notice hereof.

**Section 5.7. Renewal and Extension Fund.** After there have been paid from the Revenue Fund in each month the sums required or permitted to be paid under the provisions of Sections 5.4 and 5.5 hereof, then there shall next be paid at least annually and prior to the end of each Fiscal Year, into a special trust fund which is hereby created and designated as the "Rockdale County Water and Sewerage Renewal and Extension Fund," the moneys remaining in the Revenue Fund (except for a working capital reserve in an amount to be determined by the County but not to exceed two month's estimated operating and maintenance costs). Expenditures shall be made from the Renewal and Extension Fund only for the purpose of:

(a) Making Lease Payments, including any increased rentals incurred in connection with the issuance of any Additional Bonds by the Authority, and making debt service payments on any Additional Bonds issued by the County;

(b) In case of an emergency having a major effect upon the System caused by some extraordinary occurrence which makes it necessary to use the funds of the System for the alleviation or removal of such effects and an insufficiency of money exists in the Revenue Fund to meet such emergency;

(c) Making replacements, additions, extensions and improvements to the System and paying the cost of any engineering studies, surveys or plans and specifications pertaining to future development or expansion of the System;

(d) Transfers to the Sinking Fund for the purpose of acquiring the Series 1996 Bonds or any Additional Bonds issued by the Authority, or directly acquiring any Additional Bonds issued by the County, by redemption or by purchase in the open market at a price not exceeding the callable price as provided and in accordance with the terms and conditions of

the resolution authorizing the issuance of such bonds, which bonds may be any of the Bonds or any Additional Bonds, prior to their respective maturities, and when so used for such purposes the moneys shall be withdrawn from the Renewal and Extension Fund and deposited into the appropriate fund for the bonds to be so redeemed or purchased; or

(e) Providing moneys to the Authority to make payment to any issuer of any Debt Service Reserve Surety Bond of interest on amounts drawn under such surety bond and payment to the issuer of any Credit or Liquidity Facility the costs for any such facility.

The Renewal and Extension Fund shall be kept as a separate trust account with the Renewal and Extension Fund Depository separate from other deposits of the County, which shall comply with all of the applicable provisions of this Lease. The moneys held in and for the account of the Renewal and Extension Fund and all securities held in and for the account of the Renewal and Extension Fund, and all income and increments therefrom are hereby pledged to and charged with the payments set forth in this Section 5.7. It is expressly provided, however, that should Subordinate Bonds be hereafter issued, then such payments into the Renewal and Extension Fund as provided in this Section 5.7 may be suspended and such moneys shall be available to the extent necessary to pay the principal of and interest on such Subordinate Bonds and to create and maintain a reasonable reserve therefor and such moneys may be allocated and pledged for that purpose. Moneys in the Renewal and Extension Fund shall be invested in any investment authorized by the laws of the State.

#### **Section 5.8. Rate Covenant.**

(a) The County has placed into effect a schedule of rates, fees and charges for the services, facilities and commodities furnished by the System and as often as it shall appear necessary the County shall revise and adjust such schedule of rates, fees and charges for water services and facilities or sewerage services and facilities, or both, to the extent necessary to produce funds sufficient to operate and maintain the System on a sound businesslike basis and to make the Lease Payments as the same become due and payable. Such rates, fees and charges, in addition to the foregoing requirements, shall be maintained at such level so as to produce Net Revenues equal to at least one and one-tenth (1.1) times the Debt Service Requirement in the then current Sinking Fund Year, as herein provided. For the purposes of this provision, with respect to Variable Rate Obligations the interest on such Obligations shall be calculated at a rate equal to the highest interest rate on such Obligations for the preceding Sinking Fund Year. In addition, such rates will be sufficient to repay the issuer of any Debt Service Reserve Surety Bond or any Credit or Liquidity Facility in accordance with the terms thereof, of the Resolution or hereof. In the event that at any time the Net Revenues are not being maintained at such minimum level, the County shall make an appropriate study and investigation and thereafter the County shall adopt a schedule of rates, fees and charges deemed sufficient to produce Net Revenues at least equal to such requirement.

(b) The rates, fees and charges shall be classified in a reasonable manner to cover users of the services and facilities furnished by the System so that as near as practicable such rates, fees and charges shall be uniform in application to all users falling within any reasonable class. No

free services shall at any time be furnished from the System. All services shall be furnished in accordance with rates now or hereafter established, including services furnished to any authority, municipal corporation or other public board or body.

(c) In the event the County shall fail to adopt a schedule or schedules of rates, fees and charges, or to revise its schedule or schedules of rates, fees and charges, in accordance with the provisions of this Section, the Authority, any owner of the Authority's Bonds or any other assignee of the Authority's rights hereunder without regard to whether any event of default, as defined in Article VIII hereof, shall have occurred, may institute and prosecute in any court of competent jurisdiction, an appropriate action to compel the County to adopt a schedule or schedules of rates, fees and charges, or to revise its schedule or schedules of rates, fees and charges in accordance with the requirements of this Section.

**Section 5.9. Optional and Mandatory Prepayment of Rent; Redemption of Bonds.**

(a) The rent due under Section 5.5(a) shall be subject to prepayment, in whole or in part, for the purpose of calling and redeeming, at the option of the County, all or part of the Bonds, provided, however, that the funds used to prepay such rent have been deposited to the Sinking Fund prior to the giving of notice to redeem by the Bond Registrar (as defined in the Resolution) to the bondholders, and the County shall pay all costs which may be incurred in connection with the call of the Bonds to be redeemed together with any applicable redemption premium.

(b) No prepayment of any amount of rent in accordance with the provisions of the preceding subsection shall relieve the County to any extent from its obligations thereafter to make the full Lease Payments required by the provisions hereof until all the Bonds issued under the Resolution and the interest thereon and the charges of the Bond Registrar and Paying Agent (as defined in the Resolution) have been paid in full. Upon the prepayment of such rent in whole the amount of such prepayment shall be used to retire all outstanding Bonds in the manner provided in, and subject to, the Resolution.

**Section 5.10. Obligations of County Hereunder Absolute and Unconditional.**  
The obligations of the County to make the payments required in Section 5.5 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional. Until such time as the principal of and interest on the Bonds outstanding under the Resolution shall have been paid in full or provision for the payment thereof shall have been made in accordance with the Resolution, the County (a) will not suspend or discontinue any payments provided for in Section 5.5 hereof except to the extent the same can be and have been prepaid, (b) will perform and observe all of its other agreements contained in this Lease, and (c) except as provided in Article IX hereof, will not terminate the Lease Term for any cause, including, without limiting the generality of the foregoing, failure of the Authority or the County to complete the 1996 Project, failure of the Authority's or the County's title in and to the System or any part thereof, any acts or circumstances

that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Georgia or any political subdivision of either or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Lease or the Resolution. Nothing contained in this Section shall be construed to release the Authority from the performance of any of the agreements on its part herein contained; and if the Authority should fail to perform any such agreement, the County may institute such action against the Authority as the County may deem necessary to compel performance as long as such action shall not do violence to or adversely affect the agreements on the part of the County contained in the preceding sentence and to make the payments specified in Section 5.5 hereof.

**Section 5.11. Tax Levy to Pay Rent.**

(a) The obligations of the County to make the Lease Payments when due under Section 5.5 hereof, and to perform its other obligations hereunder, are absolute and unconditional as herein provided, and the County hereby pledges its full faith and credit to such payment and performance.

(b) The County covenants that, in order to make any Lease Payments when due from its general funds to the extent required, it will exercise its power of taxation to the extent necessary to pay any amounts required to be paid hereunder and it will make available and use for such payments all taxes levied and collected for that purpose together with funds received from any other source. The County further covenants and agrees that in order to make funds available for such purpose, it will, in its general revenue, appropriation, and budgetary measures whereby its tax funds or revenues and the allocation thereof are controlled or provided for, include sums sufficient to satisfy any such Lease Payments that may be required to be made from the general funds, whether or not any other sums are included in such measure, until all payments so required to be made shall have been made in full. The obligation of the County to make any payments that may be required to be made from its general funds shall constitute a general obligation of the County and a pledge of the full faith and credit of the County to provide the funds required to fulfill any such obligation.

(c) In the event for any reason any such provision or appropriation is not made as provided in the preceding subsection (b), then the fiscal officers of the County are hereby authorized and directed to set up as an appropriation on their accounts in the appropriate fiscal year the amounts required to pay the obligations which may be due from the general funds. The amount of such appropriation shall be due and payable and shall be expended for the purpose of paying any such obligations, and such appropriation shall have the same legal status as if the County had included the amount of the appropriation in its general revenue, appropriation, and budgetary measures, and the fiscal officers of the County shall make such Lease Payments to the Sinking Fund Custodian for deposit to the Sinking Fund if for any reason the payment of such obligations shall not otherwise have been made.

**Section 5.12. Transfer from Revenue Fund.** All transfers from the Revenue Fund and all payments from the Revenue Fund shall be made by the proper officers of said County duly authorized for such purpose.

**Section 5.13. Additional Bonds.** The County will not hereafter incur any obligations of any kind or nature which are payable from or enjoy a lien on the Net Revenues prior to the lien created for the payment of the Lease Payments. Nothing contained herein, however, restricts the issuance of Subordinate Bonds.

Additional Bonds may be issued by the Authority, ranking on a parity with the Series 1996 Bonds, in accordance with Article V, Section 4 of the Resolution.

In addition, it is expressly provided, however, that revenue bonds may be issued by the County, from time to time, ranking as to lien on the Net Revenues on a parity with the Lease Payments provided all of the following conditions are met:

- (a) None of the Series 1996 Bonds or any Additional Bonds then outstanding are in default as to principal and interest; and the County is in compliance with this Lease.
- (b) (A) A firm of independent certified public accountants shall have certified (a) either: (i) that based on Net Revenues for a period of 12 full consecutive calendar months out of the 18 consecutive calendar months preceding the date of issuance of such revenue bonds, the Debt Service Coverage Ratio (excluding for calculation of the Debt Service Requirement any Obligations which are to be refunded and defeased by such proposed revenue bonds) for each full Sinking Fund Year subsequent to issuance of the proposed revenue bonds, shall not be less than 1.10; or (ii) if a new schedule of rates and charges for the services, facilities and commodities furnished by the System has been adopted, the Debt Service Coverage Ratio (excluding for calculation of the Debt Service Requirement any Obligations which are to be refunded and defeased by such proposed revenue bonds) would have met the test specified in (i) if such new schedule had been in effect throughout such specified period; and (b) that, after giving effect to the proposed revenue bonds, in no Sinking Fund Year will the outstanding principal amount of Short-term Debt exceed 20% of the aggregate principal amount of all then outstanding Obligations, and, in no Sinking Fund Year will the outstanding aggregate amount of Short-term Debt and Obligations bearing interest at a Variable Rate exceed 30% of the aggregate principal amount of all then outstanding Obligations; or (B) The Consulting Engineer shall certify that the projected Debt Service Coverage Ratio for each full Sinking Fund Year subsequent to the acquisition or completion of the facilities to be financed with the revenue bonds shall be not less than 1.20.
- (c) The County shall pass proper proceedings reciting that all of the above requirements have been met, shall authorize the issuance of the revenue bonds. Any such revenue bonds may be issued under or pursuant to a trust indenture and, in such event, the proceedings authorizing the issuance of such revenue bonds shall make appropriate provisions for the transfer of moneys to the trustee in sufficient time for the payment of debt

service on such revenue bonds; but nothing contained herein shall require any of the Funds to be held by such trustee. It shall not be necessary that the interest and principal and payment dates or redemption provisions for such revenue bonds correspond with the provisions of any other Bonds or revenue bonds. Any Credit or Liquidity Facility related to any revenue bonds may secure only such revenue bonds and not any other Bonds.

(d) Any proposed Variable Rate revenue bonds shall specify a maximum interest rate. If any such Variable Rate revenue bonds so issued provides for the mandatory redemption or purchase of such revenue bonds at the option of an owner thereof, a Credit or Liquidity Facility shall be provided at or prior to the issuance of such Variable Rate revenue bonds to support the County's obligations for any such mandatory redemption or purchase. The failure of any such Credit or Liquidity Facility to purchase any such Variable Rate revenue bonds may be a default under the proceedings authorizing such revenue bonds, but may not cause an acceleration of such Variable Rate revenue bonds or any other Bonds.

(e) Such revenue bonds and all proceedings relative thereto, and the security therefor, shall be validated as prescribed by law.

## ARTICLE VI.

SPECIAL COVENANTS OF COUNTY**Section 6.1. Depository; Security for Deposits.**

(a) Except as otherwise provided in this Lease, all moneys subject to this Lease received by the County shall, subject to the giving of security as hereinafter provided, be deposited with the proper Depository. All moneys deposited under the provisions hereof shall be deposited in banks insured by the Federal Deposit Insurance Corporation, or any successor thereto, and such moneys shall be applied in accordance with the terms and for the purposes set forth in this Lease and the Resolution and shall not be subject to lien or attachment or any type of security interest by any creditor of the County, except as provided in this Lease.

(b) No moneys belonging to any of the Funds created hereunder shall be deposited or remain on deposit and uninvested with any Depository in an amount in excess of the amount guaranteed by the Federal Deposit Insurance Corporation, or any successor thereto, unless such institution shall have pledged for the benefit of the County as collateral security for the moneys deposited direct obligations of or obligations the principal and interest of which are unconditionally guaranteed by the United States of America, or other marketable securities eligible as security for the deposit of trust funds under regulations of the Board of Governors of the Federal Reserve System and having a market value (exclusive of accrued interest) at least equal to the amount of such deposits.

**Section 6.2. Operation of System.** The County shall be responsible for the operation of the System. The Authority shall have no such obligations.

**Section 6.3. Rules and Regulations.** The County has and will continue to enforce reasonable rules and regulations governing the System and the operation thereof, and that all compensation, salaries, fees and wages paid by it in connection with the operation, repair and maintenance of the System will be reasonable, and that no more persons will be employed by it than are necessary, and that it will operate same in an efficient and economical manner, and will at all times maintain the same in good repair and in sound operating condition, and will make all necessary repairs, renewals and replacements, and that it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to such undertaking and enterprise.

**Section 6.4. Contracting Procedure.** Any contract relating to the installation, extension, improvement, maintenance or repair of any water and sewerage facilities shall provide for retention of amounts due thereunder in accordance with applicable law.

**Section 6.5. Liens.** Except as herein provided, the County will not create or suffer to be created, in the operation and maintenance of the System, any lien, security interest or charge thereon, or any part thereof, or upon the revenues derived therefrom, ranking equally with or prior to the lien and charge herein authorized upon such revenues, and that it will pay, or cause to be discharged, or will make adequate provisions to satisfy and discharge, within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects, which, if unpaid, might by law become a lien upon the System, or any part thereof, or upon the revenues derived therefrom; provided, however, that nothing contained in this Section shall require the County to pay, or cause to be discharged, or make provision for, any such lien, security interest or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

**Section 6.6. Insurance.** The County will cause to be bonded its employees or agents handling funds of the System in amounts considered necessary and adequate for its protection and it shall procure and maintain insurance on the physical properties of the System of the kinds and in the amounts normally carried by private companies or other agencies engaged in the operation of similar properties so long as the County is obligated to make Lease Payments hereunder. Such insurance shall include: (a) Fire and extended coverage insurance on the insurable portions of the System with a responsible insurance company or companies authorized and qualified to do business under the laws of the State of Georgia; (b) Public liability insurance relating to the operation of the System; (c) Vehicular public liability insurance on any vehicle owned or operated by the County and used in the operation of the System. Such insurance may provide reasonable and customary coverage and deductibles for agencies and governmental authorities operating water and sewerage systems. If the County is unable to obtain such insurance legally and on reasonable and customary terms to the extent above required, the County will maintain such insurance to the extent reasonably obtainable, as may be now or hereafter authorized by Georgia law. The proceeds of such fire and extended coverage policies are hereby pledged as security for the Lease Payments, but shall be available for and shall, to the extent necessary and desirable, be applied to the repair and replacement of the damaged or destroyed property and may be pledged on a parity basis as security for any revenue bonds issued by the County. In the event the proceeds of such policies are not used for that purpose, then same shall be deposited in the Renewal and Extension Fund; provided, however, that all such repairs or replacements shall be made in all instances whereby failure to do so would materially adversely affect the revenues of the System. Proceeds from the fidelity bonds on employees and agents shall be paid into the appropriate fund. All insurance policies and fidelity bonds shall be open to the inspection of the bondholders or their duly authorized representatives at all reasonable times. All insurance policies shall name the Authority as an additional insured.

**Section 6.7. Separate Accounts.** The County will keep the funds and accounts of the System separate from all other funds and accounts of the County, or any of its departments, and no payment will be made from the revenues derived from the System which is not properly payable from such revenues, and that it will keep accurate records and accounts of all items of cost and all expenditures relating to the System, and of the revenues collected and the applicable thereof, and that it will keep said records and accounts with respect to the physical properties in such manner that it

will be possible at all times to identify both the amounts and the items of all additions and retirements. Such records and accounts shall be open to the inspection of all interested persons.

**Section 6.8. Payments with Respect to Creditor Liquidity Facility - Debt Service Surety Bond.**

(a) Notwithstanding anything herein contained to the contrary, the County will make such payments to the Authority as may be necessary to enable the Authority to make the payments to any issuer of any Debt Service Surety Bond or any issuer of a Credit or Liquidity Facility of interest and expenses with respect to amounts drawn under such surety bond or such Credit or Liquidity Facility.

(b) Interest shall accrue and be payable on draws under the Debt Service Reserve Surety Bond issued by the Insurer with respect to the Series 1996 Bonds and all related reasonable expenses incurred by the Insurer (the "Policy Costs") from the date of payment by the Insurer at the Late Payment Rate. The Late Payment Rate shall be computed on the basis of actual number of days elapsed over a year of 360 days. Repayment of each draw under the Debt Service Reserve Surety Bond and the Policy. Costs shall commence in the first month following each draw, and each such monthly repayment shall be in an amount at least equal to 1/12 of the draw under the Debt Service Reserve Surety Bond and the Policy Costs.

**Section 6.9. Financial Statements.**

(a) In the month immediately following the end of each fiscal year of the County, or as soon thereafter as practicable (but in no event later than 180 days after the expiration of such fiscal year), it will cause an annual audit to be made of the books and accounts pertaining to the System by a firm of independent certified public accountants of suitable experience and responsibility, to be chosen by the County. The audited financial statements, in addition to whatever matters may be considered proper by the accounts to be included therein, shall include the following:

1. A statement in detail of the income and expenditures of the System for such fiscal year.
2. A balance sheet of the System as of the end of such fiscal year.

(b) Such audited financial statements shall be open to the inspection of all interested persons and copies of the same shall be sent to the designated representatives of the original purchasers of any issue of Bonds. The County will also cause any additional reports or audits relating to the System to be made, as required by law, and that from time to time, as often as may be requested, it will furnish to the designated representatives of the original purchasers of any issue of Bonds such other information concerning the System, or the operation thereof, as may be reasonably requested. The cost of audits and reports shall be treated as a part of the cost of operation of the System.

**Section 6.10. Sale of Assets.** So long as any of the Bonds shall be outstanding, and except as in this Lease otherwise permitted or provided for, the County will not sell or otherwise dispose of the System or any integral part thereof, except it may request the Authority to sell the Leased Facilities, and the Authority shall sell the Leased Facilities if required by the County, as part of a sale of the Leased Facilities as a whole, or substantially as a whole, if the proceeds of such sale are at least sufficient to provide for the payment of all Bonds secured by the Resolution and any interest accrued or to accrue thereon and to defease the County's obligation to make the Basic Lease Payments with respect to the Outstanding Bonds, and that the proceeds of any such sale shall be deposited in trust and applied by the Authority to the extent necessary to purchase or redeem such Bonds and to defease the County's obligation to make the Basic Lease Payments with respect to the Outstanding Bonds. Nothing contained herein, however, shall preclude sale of a part of the System, where the sale would not, in any way, materially adversely affect the revenues of the System as certified by the Consulting Engineers, and provided further that the proceeds from such sale are used for extensions and improvements to the System, or deposited with the Sinking Fund Custodian as prepayment of rent due hereunder and applied toward the purchase or redemption of Bonds. In connection with any such sale, the Authority agrees that it shall execute and deliver an instrument necessary or appropriate to consummate such sale.

## ARTICLE VII.

SPECIAL COVENANTS OF AUTHORITY AND COUNTY

**Section 7.1. No Warranty of Condition or Suitability by the Authority.** The Authority makes no warranty, either express or implied, as to the condition of the Leased Facilities or that they will be suitable for the County's purposes or needs.

**Section 7.2. Inspection of the System.** The County agrees that the Authority, the bondholders and any other assignee of the Authority's rights hereunder and their duly authorized agents who are acceptable to the County shall have the right at reasonable times during business hours, subject to the County's usual safety and security requirements to examine and inspect the System without interference or prejudice to the County's operations.

**Section 7.3. Granting of Easements.** If no event of default hereunder shall have happened and be continuing, the County may at any time or times cause to be granted, whether to itself or otherwise, easements, licenses, rights-of-way (temporary or perpetual and including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the System and such grant will be free from the lien or security interest of this Lease and the Resolution or the County may cause to be released existing easements, licenses, rights-of-way and other rights or privileges in the nature of easements, held with respect to any property included in the System with or without consideration. In connection with any such grant, the Authority agrees that it shall execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right-of-way or other right or privilege or asset.

**Section 7.4. Further Assurances and Corrective Instrument, Recordings and Filings.** The Authority and the County agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required to perfect title in and to that portion of the Leased Facilities leased or intended so to be or for carrying out the intention of or facilitating the performance of this Lease.

**Section 7.5. Release Covenants.** The County releases the Authority from, covenants and agrees that the Authority shall not be liable for, all claims by or on behalf of any person arising from: (a) the conduct or management of, or from any work or thing done in or on, the System during the Lease Term; (b) any condition of the System; (c) any breach or default on the part of the County in the performance of any of its obligations under this Lease; (d) any act of negligence of the County or of any agents, contractors, servants, employees or licensees of the County or of any lessee or tenant of the County; and (e) any loss or damage to property or any injury to or death of any persons occurring on or about or resulting from any defect in the System.

**Section 7.6 Continuing Disclosure.** The Authority and the County hereby covenant for the benefit of the owners of the Series 1996 Bonds and the underwriter of the Series 1996 Bonds to comply with their obligations under the Continuing Disclosure Agreement. A breach of this covenant shall not be deemed to be an event of default hereunder, and the sole remedy under this Lease shall be an action to compel performance.

**Section 7.7 Title to Assets.** All water and sewerage facilities financed with the proceeds of Obligations, any water and sewerage facilities purchased with revenues of the System (including future extensions and improvements to the System) or any other water and sewerage facilities expressly made subject to this Lease shall be held in the name of the Authority and shall be subject to the terms of this Lease.

**Section 7.8 Tax Covenants.** The Authority and the County agree to do all things necessary to maintain the tax-exempt status of the Series 1996 Bonds and not to do any thing that would adversely affect such tax-exempt status.

**Section 7.9 Assignments and Subleases.** This Lease may not be assigned nor the Leased Facilities subleased, as a whole or in part, by the County without obtaining the consent of the Authority and the provision to the Authority by the County of an opinion of nationally recognized bond counsel that such assignment or sublease will not adversely effect the tax-exempt status of the Bonds. No assignment or sublease shall relieve the County from primary liability for any obligations hereunder, and in the event of any such assignment the County shall continue to remain primarily liable for payment of the Lease Payments and for performance and observance of the other agreements on its part herein provided to be performed and observed by the County to the same extent as though no assignment or sublease had been made.

The County acknowledges that the Lease will be pledged by the Authority for the benefit of the owners of the Bonds.

## ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

**Section 8.1. Events of Default Defined.** The following shall be "events of default" under this Lease and the terms "event of default" or "default" shall mean, whenever they are used in this Lease, any one or more of the following events:

(a) Failure by the County to make the Lease Payments required to be paid under Section 5.5 hereof at the times specified therein;

(b) Failure by the County to observe and perform any covenant, condition or agreement of this Lease on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the County by the Authority, the bondholders or any other assignee of the Authority, unless the Authority (or any assignee of the Authority) and the bondholders shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the 30-day period, the Authority (or any assignee of the Authority) and the bondholders will not unreasonably withhold their consent to an extension of such time if it is possible to correct such failure and corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected; and

(c) An "Event of Default" shall have occurred under the Resolution.

**Section 8.2. Remedies on Default.** Whenever any event of default referred to in Section 8.1 hereof shall have happened and be subsisting, the Authority (or any assignee), or the bondholders as provided in the Resolution, may take any one or more of the following remedial steps:

(a) If the principal and interest accrued on the Bonds shall have been declared immediately due and payable pursuant to the Resolution, the Authority or the bondholders may, at their option, declare all installments of rent payable under Section 5.5(a) hereof for the remainder of the Lease Term to be immediately due and payable, whereupon the same shall become immediately due and payable. If the Authority or the bondholders elect to exercise the remedy afforded in this Section 8.2(a) and accelerates all rents payable under Section 5.5(a) hereof for the remainder of the Lease Term, the amount then due and payable by the County as accelerated rent shall be the sum of (1) the aggregate principal amount of the outstanding Bonds, (2) all interest then due on the Bonds and (3) any other amounts which may be owing to the Authority pursuant to this Lease. Such sums as may then become payable shall be paid into the Sinking Fund and after the Bonds and accrued interest thereon have been fully paid and any costs occasioned by such default and the collection of

the rents have been satisfied, any excess moneys in the Sinking Fund shall be returned to the County as an overpayment of rents;

(b) The Authority or the bondholders may seek the appointment of a receiver for the System;

(c) The Authority or the bondholders may require the County to furnish copies of all books and records of the County pertaining to the System;

(d) The Authority or the bondholders may require any Depository hereunder to turn over to the Sinking Fund Custodian any moneys held in any of the Funds;

(e) The Authority or the bondholders may take whatever action at law or in equity may appear necessary or desirable to collect the rents then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the County under this Lease; and

(f) The Authority or the bondholders may exercise any remedies provided for in the Resolution.

Any amounts collected pursuant to action taken under this Section shall be paid into the Sinking Fund and applied in accordance with the provisions of the Resolution. If payment in full of all Lease Payments payable under this Lease has been made, any amount collected shall be paid to the County.

**Section 8.3. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Authority or the bondholders is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon the occurrence of any event of default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority or the bondholders to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice or notices as may be herein expressly required. Such rights and remedies as are given to the Authority hereunder shall also extend to the bondholders and the holders or any related Obligations, and the holders of the Bonds and any related Obligations shall be deemed third party beneficiaries of all covenants and agreements herein contained.

**Section 8.4. Agreement to Pay Attorneys' Fees and Expenses.** If the County should default under any of the provisions of this Lease and either or both the Authority or the bondholders should employ attorneys or incur other expenses for the collection of rents or the enforcement of performance or observance of any obligation or agreement on the part of the County herein contained, the County agrees that it shall on demand therefor pay to the Authority, the

bondholders and the holders of any related Obligations the reasonable fee of such attorneys and such other reasonable expenses so incurred by the Authority and the bondholders.

**Section 8.5. No Additional Waiver Implied by One Waiver.** If any agreement contained in this Lease should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

## ARTICLE IX.

OPTION OF LESSEE

**Section 9.1. Unqualified Option to Purchase.** On and after the effective date of this Lease and during the Lease Term and for one year after the expiration thereof, the County shall have the unconditional right and option to purchase the Leased Facilities at any time.

**Section 9.2. Purchase Price.** The purchase price payable if the County purchases the Leased Facilities pursuant to the provisions of this Article IX shall be One Hundred Dollars (\$100) to be paid to the Authority plus the full amount necessary under the provisions of the Resolution to cause the payment in full of the Bonds (including, without limitation, principal, interest, expenses of redemption and the Paying Agent's, Bond Registrar and any trustee fees accrued and to accrue through final payment of the Bonds and all other liabilities of the County accrued under this Lease).

**Section 9.3. Procedure For Exercising Option to Purchase.** The County may exercise its option to purchase hereunder by giving written notice to the Authority of its intention to purchase the Leased Facilities pursuant to the provisions of this Article IX specifying the time and place of closing and by giving notice to the Authority. At the closing the Authority shall, upon payment of the purchase price hereinabove specified, deliver to the County appropriate conveyance instruments transferring all of its right, title and interest in and to the Leased Facilities.

## ARTICLE X.

MISCELLANEOUS

**Section 10.1. Notices.** All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, return receipt requested, postage prepaid.

**Section 10.2. Binding Effect.** This Lease shall inure to the benefit of and shall be binding upon the Authority and the County.

**Section 10.3. Severability.** If any provision of this Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 10.4. Amounts Remaining in Sinking Fund.** It is agreed by the parties hereto that, subject to and in accordance with the terms and conditions of the Resolution certain surplus moneys remaining in the Sinking Fund shall belong to and be paid to the County by the Authority as an overpayment of rents.

**Section 10.5. Amendments, Changes and Modifications.** This Lease may be amended, changed and modified (a) to cure any ambiguity or formal defect or omission in this Lease; (b) to provide for the issuance of Obligations in accordance with the terms of this Lease (including, without limitation, the addition of events of default and remedies relating to any Obligations hereafter incurred by the County); (c) to grant any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon bondholders by the County; (d) to further expand or clarify the amounts required to be paid into the Sinking Fund and the timing thereof; (e) to conform to supplements to the Resolution; (f) to provide for the Authority's operation of the System; or (g) to make any other amendments, changes and modifications that in the opinion of counsel is not materially adverse to the interest of the bondholders. Any other amendments, changes and modification in this Lease will become effective only with the consent of the owners of at least 55% in aggregate principal amount of the Bond Obligations. In no event, however, may any such amendments, changes and modifications permit (a) the reduction of Lease Payments required to be made to ensure the payment of the Bonds and the other obligations secured by the Resolution; (b) the reduction of the percentage of the Bond Obligations required for consent to any such amendment, change or modification; or (c) the creation of any lien on the Net Revenues prior to or superior to the lien created as security for the Lease Payments.

The Insurer's consent (which consent shall not be unreasonably withheld) shall be required as a condition precedent to (a) any amendments, changes or modifications of this Lease that (i) require the consent of the owners of the Bonds or (ii) are made pursuant to (g) of the preceding paragraph or (b) any supplemental resolutions that are the second paragraph of Section 1 of

Article IX of the Resolution (i.e., supplemental resolutions that in the opinion of counsel are not materially adverse to the interests of the bondholders).

**Section 10.6. Execution Counterparts.** This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 10.7. Captions.** The captions and headings in this Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions of this Lease.

**Section 10.8. Law Governing Construction of Lease.** This Lease shall be governed by, and construed in accordance with, the laws of the State of Georgia.

**Section 10.9. Net Lease.** This Lease shall be deemed a "net lease," and the County shall pay absolutely net during the Lease Term the rents, revenues and receipts pledged hereunder, without abatement, deduction or set-off other than those herein expressly provided.

**Section 10.10. Insurer Provisions.**

- (a) The Insurer shall be a third-party beneficiary of this Lease.
- (b) The County shall send the Insurer its audited financial statements within 120 days after the end of the County's fiscal year.
- (c) In the event that the County invests any money on deposit in the Construction Fund, the Revenue Fund or the Renewal and Extension Fund in repurchase agreements, such repurchase agreement shall be in a form acceptable to the Insurer.

IN WITNESS WHEREOF, the Authority and the County have caused this Lease to be executed in their respective corporate names and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

THE AUTHORITY:  
ROCKDALE COUNTY WATER AND SEWERAGE AUTHORITY

(Corporate Seal)  
By: William R. Bell  
Chairman

Attest:  
Secretary A. T. [Signature]

As to the Authority, signed and sealed in the presence of:

Witness Robert [Signature]

Notary Public Liddy Sparks

My Commission Expires:

(Notarial Seal)



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THE LESSEE:

ROCKDALE COUNTY, GEORGIA

(Seal)

By: [Signature]  
Chairman

Attest:

[Signature]  
Clerk

As to the County, signed and sealed in the presence of:

[Signature]  
Witness

[Signature]  
Notary Public

My Commission Expires:

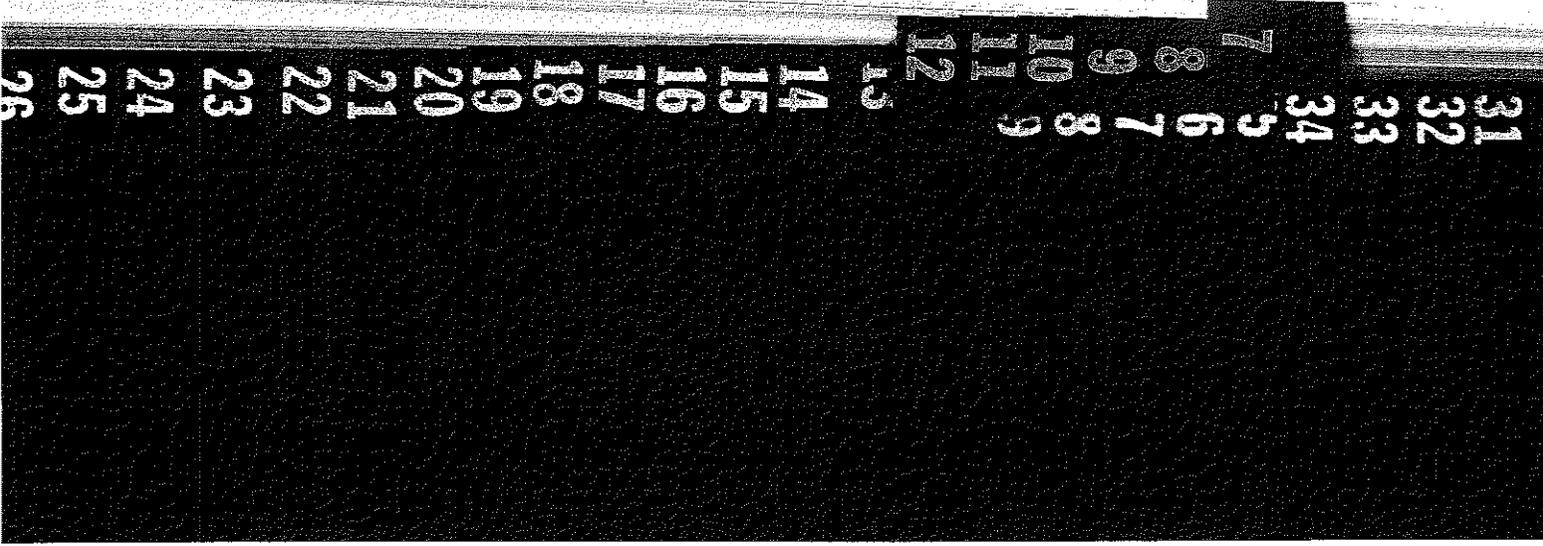
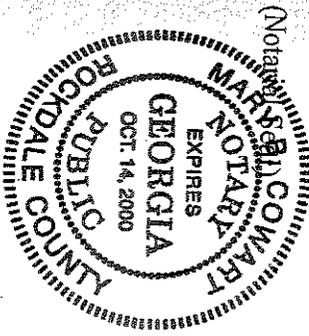


EXHIBIT A

Any and all real property located in Rockdale County, Georgia and Gwinnett County, Georgia owned by the Authority or in which the Authority has an interest, as reflected in the records of the Clerk of the Superior Court, Rockdale County, Georgia and in the records of the Clerk of the Superior Court, Gwinnett County, Georgia, including, without limitation, all easements and rights-of-way with respect to real property located in Rockdale County, Georgia and in Gwinnett County, Georgia TOGETHER WITH:

- (1) any and all buildings and improvements erected or hereafter erected thereon;
- (2) any and all fixtures, appliances, machinery and equipment of any nature whatsoever, and other articles of personal property at anytime now or hereafter installed in, attached to or situated in or upon the above described real estate or the buildings and improvements to be erected thereon, or used or intended to be used in connection with the real estate, or in the operation of the buildings and improvements, plant, business or dwelling situate thereon, whether or not the personal property is or shall be affixed thereto;
- (3) all building materials, fixtures, building machinery and building equipment delivered on site to the real estate during the course of, or in connection with, construction of the buildings and improvements; and
- (4) any and all tenements, hereditaments and appurtenances belonging to the real estate or any part thereof, or in any way appertaining thereto, and all streets, alleys, passages, ways, water courses and all easements and covenants now existing or hereafter created for the benefit of the Authority or any subsequent owner or tenant of the mortgaged real estate over ground adjoining the mortgaged real estate and all rights to enforce the maintenance thereof, and all other rights, liberties and privileges of whatsoever kind or character, and the reversions and remainders, income, rents, issues and profits arising therefrom, and all the estate, right, title, interest, property, possession, claim, and demand whatsoever, at law or in equity, of the Authority in and to the real estate or any part hereof.

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EXHIBIT B

BOOK 1306 PAGE 38

All tangible personal property owned by the Authority or in which the Authority has any interest, including without limitation, the following:

- (1) All motor vehicles;
- (2) All of the water transmission and distribution mains, storage tanks, booster pumps, pumping stations, valves, hydrants, meters and other equipment used in connection with the Authority's water facilities; and
- (3) All of the office equipment, office furniture, supplies and any and all other personal property of the Authority.

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ROCKDALE COUNTY WATER AND SEWERAGE AUTHORITY

\$63,140,000

Revenue Bonds, Series 1996

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BOND PURCHASE AGREEMENT

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December 4, 1996

Rockdale County Water and Sewerage  
Authority  
Mr. William L. Perkins, Vice Chairman  
Conyers, Georgia

Rockdale County, Georgia  
Board of Commissioners  
Mr. Randolph W. Poynter, Chairman  
Conyers, Georgia

Dear Vice Chairman Perkins and Members of the  
Water and Sewerage Authority,  
Chairman Poynter and Members of the Board of Commissioners:

A.G. Edwards & Sons, Inc., acting as the Underwriter (the "Underwriter"), offers to enter into this Bond Purchase Agreement (the "Agreement") with you, Rockdale County Water and Sewerage Authority (the "Authority") and Rockdale County, Georgia (the "County"), which, upon your respective acceptances of this offer, will be binding upon both the Authority and the County and upon the Underwriter. This offer is made subject to your acceptance of this Agreement on or before 5:00 P.M., E.D.T., on December 4, 1996. Capitalized terms used herein and otherwise not defined herein shall have the meanings ascribed to such terms in the Resolution (as hereinafter defined) or the Official Statement (as hereinafter defined).

1. Upon the terms and conditions and upon the basis of the representations, warranties and covenants set forth herein the Underwriter, hereby agrees to purchase from the Authority, and the Authority hereby agrees to sell to the Underwriter, all (but not less than all) of \$63,140,000 in aggregate principal amount of Rockdale County Water and Sewerage Authority Revenue Bonds, Series 1996 (the "Series 1996 Bonds"), having the maturities, bearing interest at the rates and having the further terms as set forth in the Official Statement of the Authority, substantially in the form of the draft thereof attached hereto as Exhibit A and made a part hereof (such Official Statement, including the cover page and all appendices attached thereto, being herein referred to as the "Official Statement," except that if the Official Statement shall be revised or amended with our approval between the date hereof and the date upon which the Series 1996 Bonds are delivered to us, the term "Official Statement" shall refer to the Official Statement as so revised or amended). The Underwriter shall purchase the Series 1996 Bonds at a price of \$61,253,970.24 (being the principal amount of the Series 1996 Bonds, less an original issue discount of \$1,317,769.75 and less an Underwriter's discount of \$568,260.01), plus accrued interest thereon from November 1, 1996 to the date of the Closing (as hereinafter defined).

2. The Series 1996 Bonds are to be issued pursuant to (i) the Revenue Bond Law of Georgia, as amended; (ii) an Act of the Georgia General Assembly creating the Authority, as amended; and (iii) certain resolutions adopted by the Authority on November 12, 1996 and December 4, 1996 (collectively, the "Resolution"), substantially in the form heretofore delivered to the Underwriter with only such changes as shall be agreed upon among us. The Series 1996 Bonds shall be issued in fully registered form and shall be initially dated as of November 1, 1996. Pursuant to the Resolution, SunTrust Bank, Atlanta in Atlanta, Georgia, Paying Agent and Bond Registrar (the "Paying Agent") will execute each Series 1996 Bond and deliver the Series 1996 Bonds to the Underwriter at the Closing for distribution to the registered owners thereof (the "Owners").

3. The proceeds derived from the sale of the Series 1996 Bonds will be used (i) to pay the cost of acquiring all of the operating assets of the City of Conyers' water and sewerage system (except for certain excluded assets); (ii) to finance a portion of the costs of certain improvements and additions to such water and sewerage system; (iii) to pay the premium for the municipal bond insurance policy for the Series 1996 Bonds; (iv) to fund the Reserve Account within the Sinking Fund (or purchase a Debt Service Reserve Surety Bond); and (v) to pay the cost of issuing the Series 1996 Bonds.

4. The County is obligated under the Lease Contract, dated as of November 1, 1996 (the "Lease") to make certain payments to the Authority, including payments sufficient to enable the Authority to pay the principal of and interest on all Series 1996 Bonds issued by the Authority. The obligations of the County under the Lease are absolute and unconditional and are secured by a pledge of the net revenues of the System and by a pledge of the County's full faith and credit and taxing power. Pursuant to the Resolution, the Authority has pledged its rights under the Lease and the payments due thereunder as security for obligations issued by the Authority. The Series 1996 Bonds and

any Additional Bonds (as hereinafter defined) issued on a parity therewith are referred to herein as the "Bonds".

5. Pursuant to a resolution adopted by the Board of Commissioners of the County on November 25, 1996, as supplemented by a resolution adopted by the Board of Commissioners of the County on December 4, 1996 (collectively, the "County Resolution"), the County (a) consented to the Authority's issuance of the Series 1996 Bonds for the purposes described in the Official Statement, (b) authorized the County's execution, delivery and performance of the Lease, (c) authorized the execution and delivery of this Agreement by the County, (d) approved the use of the Official Statement, and (e) authorized the County's execution, delivery and performance of the Continuing Disclosure Agreement, dated as of November 1, 1996 (the "Disclosure Agreement"), between the County and SunTrust Bank, Atlanta, as bond registrar.

6. The Authority shall execute and deliver a Tax and Non-Arbitrage Certificate (the "Authority's Tax and Non-Arbitrage Certificate") pursuant to which the Authority shall agree to comply with certain covenants in order to maintain the tax-exempt status of the Series 1996 Bonds. The County shall also execute the Authority's Tax and Non-Arbitrage Certificate (such execution of the Authority's Tax and Non-Arbitrage Certificate by the County hereinafter referred to as the "County's Tax and Non-Arbitrage Certificate") pursuant to which the County shall agree to comply with certain covenants in order to maintain the tax-exempt status of the Series 1996 Bonds.

7. The Authority has caused to be prepared a Preliminary Official Statement, dated November 27, 1996 (such Preliminary Official Statement, including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto and any amendments and supplements thereto that may be authorized by the Authority for use with respect to the Series 1996 Bonds being herein called the "Preliminary Official Statement"), which the Authority and the County have authorized to be circulated, and the Authority and the County have consented to and ratified the use of the Preliminary Official Statement by the Underwriter prior to the date hereof in connection with the offering of the Series 1996 Bonds. The Authority and the County hereby certify to the Underwriter for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 that the Preliminary Official Statement, as of its date, was final except for information concerning the offering prices, selling compensation and delivery dates of the Series 1996 Bonds. Concurrently with the acceptance and execution of this Agreement by the Authority and the County, the Authority and the County shall cause to be delivered to the Underwriter two copies of the Official Statement, dated December 4, 1996, substantially in the form of the Preliminary Official Statement, with only such changes therein or modifications thereof (including, without limitation, any changes in or modifications of any of the appendices, exhibits, reports or statements included therein or attached thereto) as shall have been accepted and approved by the Underwriter in its discretion. The Official Statement shall have been approved and adopted by the Authority and the County by resolutions duly passed, and executed on behalf of the Authority by its Chairman and approved and adopted by the County by resolutions duly passed and executed by the Chairman of the

Board of Commissioners (such Official Statement, including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto and any amendments and supplements thereto that may be authorized by the Authority and the County for use with respect to the Series 1996 Bonds being herein called the "Official Statement"). The Authority and the County hereby consent to the use of copies of the Official Statement, the Resolution, the County Resolution, the Lease and other pertinent documents in connection with the offering and sale of the Series 1996 Bonds.

8. The Authority hereby represents and warrants to the Underwriter as of the date hereof (and it shall also be a condition of the obligation of the Underwriter to purchase and accept delivery of the Series 1996 Bonds at the Closing that the Authority shall so represent and warrant as of the date of the Closing) that:

(a) The Authority is a political subdivision of the State of Georgia duly created and existing pursuant to the provisions of the Rockdale County Water and Sewerage Authority Act, 1995 Georgia Laws p. 3994 et seq., as amended (the "Authority Act"), and the Chairman and the members of the Authority have been duly appointed to their respective positions.

(b) In connection with the issuance of the Series 1996 Bonds, the Authority has complied in all respects with the Constitution and laws of the State of Georgia.

(c) The Authority has (i) duly adopted the Resolution, (ii) heretofore duly authorized and approved the execution of the Lease, (iii) duly authorized and approved the Official Statement and the use thereof by the Underwriter and consented to and ratified the use of the Preliminary Official Statement by the Underwriter, (iv) duly authorized and approved the issuance, execution and delivery of the Series 1996 Bonds and this Agreement and (v) duly authorized and approved the performance by the Authority of its obligations as contained in the Resolution, the Lease, the Series 1996 Bonds, this Agreement and any and all other agreements and documents as may be required to be executed and delivered by the Authority in order to carry out, give effect to and consummate the transactions contemplated by the Official Statement.

(d) The Authority has, now, and at the time of taking each of the actions described below had, full legal right, power and authority (i) to enter into this Agreement, (ii) to issue, sell and deliver the Series 1996 Bonds to the Underwriter pursuant to the Resolution and (iii) to enter into the Lease, adopt the Resolution and to carry out and consummate the transactions contemplated thereby and to perform the obligations thereunder, and (iv) to carry out and consummate the transactions contemplated by this Agreement and the Official Statement. The Authority is not in breach of or default under any applicable law or administrative regulation of the State of Georgia or the United States of America, or any applicable judgment or decree, or any loan agreement, note,

resolution or other agreement or instrument to which the Authority is a party or is otherwise subject, which breach or default would in any way materially adversely affect the Authority's ownership of the Leased Facilities, the performance of the Lease, the authorization or issuance of the Series 1996 Bonds or the adoption of the Resolution, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such a breach or default. All actions in connection with issuance of the Series 1996 Bonds, including the execution, delivery and performance of this Agreement and the Lease, are in full force and effect, have not been repealed, do not violate any applicable law or administrative regulation of the State of Georgia or of any department, division, agency or instrumentality thereof or of the United States, or any applicable judgment or decree to which the Authority is subject or conflict with or constitute a breach of or default under any loan agreement, note, resolution, or other agreement or instrument to which the Authority is a party or is otherwise subject. The Authority has not received any judicial or administrative notice which in any way questions the federal tax-exempt status of interest on the Series 1996 Bonds and has not been notified of any listing or proposed listing of it by the Internal Revenue Service as a bond issuer whose arbitrage certifications may not be relied upon.

(e) All approvals, consents and orders of any governmental official, authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Authority of its obligations hereunder and its obligations under the Resolution, the Lease and the Series 1996 Bonds have been obtained, including the completion of the validation proceedings with respect to the Series 1996 Bonds.

(f) The Series 1996 Bonds, the Lease and the Resolution conform to the respective descriptions thereof contained in the Official Statement; and the Series 1996 Bonds when issued and delivered in accordance with the Resolution, will be validly issued and outstanding obligations entitled to the benefits of the Resolution.

(g) To the best of the Authority's knowledge, the financial statements in Appendix A of the Official Statement and the Selected Financial Data relating to the City of Conyers' water and sewerage system (the "Conyers' System") contained in the Official Statement fairly present the financial condition and results of operations of the System as of the dates and for the periods therein set forth, and such financial statements and selected financial data have been prepared in accordance with generally accepted accounting principles consistently applied, except as otherwise noted therein.

(h) The Authority has no knowledge of any development involving a prospective material adverse change in or affecting the financial condition or

operations of the Authority or the System, respectively, other than as set forth or contemplated in the Official Statement.

(i) The statements contained in the Official Statement under the headings "THE AUTHORITY," "LEGAL MATTERS - Pending Litigation" and "LEGAL MATTERS - Validation", are fair and accurate summaries of the matters contained therein.

(j) The Preliminary Official Statement was, as of its date, and the Official Statement is, as of the date hereof, complete and accurate and the Preliminary Official Statement did not, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to be stated therein for the purposes for which it is to be used or to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) Except as disclosed in writing to the Underwriter on or prior to the date hereof, no litigation is pending, or to the knowledge of the Authority, threatened in any court in any way affecting the existence of the Authority, or seeking to restrain or enjoin the issuance, sale and delivery of the Series 1996 Bonds, or the right, power and authority of the Authority to collect the Lease Payments and obligation of the County to make the Lease Payments or the validity and binding effect of the Resolution, the Lease or this Agreement or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statements or contesting the power of the Authority or its authority with respect to the Series 1996 Bonds, the Resolution, the Lease or this Agreement, or contesting in any way the exclusion of the interest on the Series 1996 Bonds from gross income for federal income tax purposes.

(l) The Authority has outstanding no bonds, notes or other obligations for borrowed money payable from any revenues of the Authority or the System, other than the loans from the Georgia Environmental Facilities Authority to the City of Conyers described in the Official Statement, which will be assumed by the County, which loans will be junior and subordinate to the payment of the Series 1996 Bonds.

(m) Between the date of this Agreement and the Closing, the Authority will not, without the prior written consent of the Underwriter, issue any bonds, notes or other obligations for borrowed money payable from any revenues of the Authority or authorize the transfer of, and the sale of an interest in, any rights of the Authority to any payments; and, subsequent to the respective dates as of which information is given in the Official Statement and up to and including the date of the Closing, the Authority has not incurred and will not incur with respect to its ownership of the Leased Facilities any material liabilities other than those occurring in the ordinary course of owning the Leased Facilities and the

construction of improvements thereto, direct or contingent, nor will there be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the Authority or the Conyers' System, except as described in the Official Statement.

9. In order to induce the Underwriter to enter into this Agreement and in order to induce the Authority to deliver the Series 1996 Bonds and to enter into this Agreement, with full realization and appreciation that the investment value of the Series 1996 Bonds and the ability of the Authority to sell and the Underwriter to market the Series 1996 Bonds are dependent upon the representations, warranties and covenants of the County herein, and in consideration of the execution and delivery of this Agreement, the County hereby represents and warrants to the Underwriter as of the date hereof (and it shall also be a condition of the obligation of the Underwriter to purchase and accept delivery of the Series 1996 Bonds at the Closing that the County shall so represent and warrant as of the date of the Closing) that:

(a) The County is a political subdivision of the State of Georgia, and the Chairman and members of the Board of Commissioners have been duly elected to their respective positions.

(b) In connection with the execution and delivery of the Lease, the Disclosure Agreement and this Agreement, the County complied in all respects with the Constitution and laws of the State of Georgia.

(c) The Board of Commissioners has (i) duly consented to the Authority's execution and delivery of the Series 1996 Bonds pursuant to the terms of the Resolution, (ii) heretofore duly authorized and approved the execution and delivery of the Lease, the Disclosure Agreement and this Agreement, (iii) duly authorized and approved the performance by the County of its obligations as contained in the Lease, the County's Tax and Non-Arbitrage Certificate, the Disclosure Agreement and this Agreement and (iv) duly authorized and approved the Official Statement and the use thereof by the Underwriter and consented to and ratified the use of the Preliminary Statement by the Underwriter.

(d) The County has now, and at the time of taking each of the actions described below had, full legal right, power and authority (i) to enter into this Agreement, (ii) to enter into the Lease and to carry out and consummate the transactions contemplated thereby and to perform the obligations thereunder and (iii) to carry out and consummate the transactions contemplated by this Agreement, the Lease, the Disclosure Agreement, the County's Tax and Non-Arbitrage Certificate and the Official Statement. The County is not in breach of or default under the Lease, any applicable law or administrative regulation of the State of Georgia or the United States of America, or any applicable judgment or decree, or any loan agreement, note, resolution or other agreement or instrument to which the County is a party or is otherwise subject, which breach or default

would in any way materially adversely affect the County's operation of the System (as defined and described in the Resolution), the Leased Facilities or the County as a whole, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such a breach or default. Compliance with the provisions of the Lease and the approval of the other actions in connection with the transaction contemplated hereby, including the execution, delivery and performance of the Disclosure Agreement and this Agreement, do not violate any applicable law or administrative regulation of the State of Georgia or of any department, division, agency or instrumentality thereof or of the United States, or any applicable judgment or decree to which the County is subject or conflict with or constitute a breach of or default under any loan agreement, note, resolution, or other agreement or instrument to which the County is a party or is otherwise subject. The County has not received any judicial or administrative notice which in any way questions the federal tax-exempt status of interest on the Series 1996 Bonds and has not been notified of any listing or proposed listing of it by the Internal Revenue Service as a bond issuer whose arbitrage certifications may not be relied upon.

(e) All approvals, consents and orders of any governmental official, authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the County of its obligations hereunder and under the Lease and the Disclosure Agreement have been obtained.

(f) The Lease conforms to the description thereof contained in the Official Statement; is a valid, binding and enforceable obligation of the County; and the Lease Payments are secured by a first lien pledge of the net revenues of the Leased Facilities and are payable from such net revenues, the general funds of the County and the proceeds of a general tax, to the extent and in the manner provided in the Lease, and the County's obligation to make the Lease Payments is a general obligation of the County secured by a pledge by the County of its full faith and credit and taxing power, all as provided in the Lease.

(g) The financial statements of the County in Appendix B of the Official Statement and the information under the headings "County Debt Structure," "County Ad Valorem Taxation" and "County Financial Information" contained in the Official Statement fairly present the financial condition and results of operations of the County as of the dates and for the periods therein set forth, and such financial statements and financial data have been prepared in accordance with generally accepted accounting principles consistently applied, except as otherwise noted therein.

(h) The County has not sustained, since the date of the latest audited financial statements included in the Official Statement, any material adverse change in the financial condition or operations of the County other than as set forth or contemplated in the Official Statement. The County has no knowledge of any

development involving a prospective material adverse change in or affecting the financial condition or operations of the County or the System, respectively, other than as set forth or contemplated in the Official Statement.

(i) The information contained in the Official Statement relating to (a) the County, (b) the System, (c) the application of the proceeds of the sale of the Series 1996 Bonds, and (d) participation by the County in the transactions contemplated by this Agreement and in the Official Statement was as of its date, and will be, as of the Closing Date, true and correct in all material respects. The statements contained in the Official Statement under the headings "INTRODUCTION," "SECURITY FOR THE BONDS," "THE SYSTEM," "SELECTED FINANCIAL DATA," "ROCKDALE COUNTY," "COUNTY DEBT STRUCTURE," "COUNTY AD VALOREM TAXATION," "COUNTY FINANCIAL INFORMATION," and "LEGAL MATTERS - Pending Litigation" and in Appendix C are fair and accurate summaries of the matters contained therein.

(j) The Preliminary Official Statement was, as of its date, and the Official Statement is, as of the date hereof, complete and accurate and the Preliminary Official Statement did not, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to be stated therein for the purposes for which it is to be used or to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) Except as disclosed in writing to the Underwriter on or prior to the date hereof, no litigation is pending, or to the knowledge of the County, threatened in any court in any way affecting the existence of the County, or seeking to restrain or enjoin the authorization, execution and delivery of the Lease or the payment of the Lease Payments, or the right, power and authority of the County to collect revenues generally or other moneys pledged or to be pledged to pay the Lease Payments, or the validity and binding effect of the County Resolution, the Lease, the Disclosure Agreement or this Agreement or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, contesting the power of the County or its authority with respect to the Lease, the Disclosure Agreement or this Agreement, or contesting in any way the exclusion from taxation for federal income tax purposes.

(l) There are no outstanding bonds, notes or other obligations for borrowed money payable from any revenues of the System or the Leased Facilities, other than the loans from the Georgia Environmental Facilities Authority described in the Official Statement, which loans will be junior and subordinate to the payment of the Series 1996 Bonds.

(m) Between the date of this Agreement and the Closing, the County will not, without the prior written consent of the Underwriter, issue any bonds, notes or other obligations for borrowed money payable from the funds pledged for the payment of the Lease Payments, any revenues of the System or the Leased Facilities; and, subsequent to the respective dates as of which information is given in the Official Statement and up to and including the date of the Closing, the County has not incurred and will not incur with respect to funds pledged for the payment of the Lease Payments, the System or the Leased Facilities, or the County as a whole, any material liabilities other than those occurring in the ordinary course of the operating the System or the Leased Facilities and the construction of improvements thereto, or in the ordinary course of operations of the County, direct or contingent, nor is there as of the date hereof or will there be on or prior to the Closing any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the System, the Leased Facilities or the County as a whole except as described in the Official Statement.

10. In connection with the purchase and sale of the Series 1996 Bonds pursuant to this Agreement, the Authority and the County as applicable, hereby covenant that:

(a) The Authority and the County will make available such information, execute such instruments and take such other action in cooperation with the Underwriter and Underwriter' counsel as the Underwriter or such counsel may reasonably request to qualify the Series 1996 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, that nothing in this clause (a) shall require the Authority or the County to consent to service of process in any state or jurisdiction other than the State of Georgia.

(b) The Authority will provide the Underwriter, not later than two (2) business days after the date hereof, copies of the Official Statement in sufficient quantity to comply with Rule 15c2-12(b)(4) under the Securities Exchange Act of 1934 and the rules of the Municipal Securities Rulemaking Board.

(c) The Authority will not amend or supplement the Official Statement without the consent of the Underwriter. If between the date of this Agreement and the date of the Closing an event occurs affecting the Authority, the County or the Leased Facilities, of which the Authority or the County, as the case may be, has knowledge and which would cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary to be stated therein for the purposes for which it is to be used or to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect, the Authority and the County will notify the Underwriter, and if in the opinion of the Authority, the County or the Underwriter,

such event requires an amendment or supplement to the Official Statement, at the Authority's expense, the Authority will amend or supplement the Official Statement in a form and in a manner jointly approved by the Authority, the County and the Underwriter.

(d) If any event shall occur within ninety (90) days following the date of the Closing which might or would cause the Official Statement to contain any material misstatement of fact or omit to state a material fact required to be stated therein for the purposes for which it was to be used or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority and the County shall notify the Underwriter and at the Authority's expense cooperate with the Underwriter in the preparation and publication, at the Authority's expense, of any supplement or amendment to the Official Statement which in the Underwriter's opinion may be required.

(e) The Authority will apply the proceeds of the Series 1996 Bonds in accordance with the Resolution, as described in the Official Statement.

(f) The Authority and the County will take all action reasonably required to consummate the transactions contemplated by the Lease, the Resolution, the Official Statement and the County Resolution.

11. Not later than 10:00 a.m., New York time, on December 10, 1996, or at such other time or on such other date as shall have been mutually agreed upon by the Authority and the Underwriter, the Authority will deliver to the Underwriter the Series 1996 Bonds in definitive form, duly executed and authenticated by the Paying Agent, together with the other documents hereinafter mentioned, and the Underwriter on behalf of the Underwriter will accept such delivery and pay the purchase price of the Series 1996 Bonds in immediately available funds to the order of Rockdale County Water and Sewerage Authority (the "Closing"). Delivery of the Series 1996 Bonds shall be made to the Underwriter in New York, New York, and the Closing shall take place at the offices of King & Spalding, 191 Peachtree Street, N.E., Atlanta, Georgia, or at such other place as shall have been mutually agreed upon by the Authority and the Underwriter. The Series 1996 Bonds will be made available for checking and packaging in New York, New York not later than two business days prior to the Closing.

12. The Underwriter has entered into this Agreement in reliance upon the respective representations, warranties and covenants of the Authority and the County contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the County of their obligations hereunder at or prior to the date of the Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Series 1996 Bonds are subject to the performance by the Authority and the County of their respective obligations to be performed hereunder and under such aforesaid