STATE OF NORTH CAROLINA

COUNTY OF IREDELL

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IREDELL COUNTY
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BRENDA D. BELL
REGISTER OF DEEDS

OPERATIONAL AGREEMENT

THIS AGREEMENT is entered into this 2nd day of August, 1995, by the Iredell County Health Department, hereinafter known as the Department; Crescent Resources, Inc., a South Carolina corporation, hereinafter known as the Developer; the North Shores II Owners Association, Inc., a North Carolina non-profit corporation, hereinafter known as the Association:

WITNESSETH

1. The Developer is the owner of the property lying in Iredell County upon which it will erect a community ground absorption sewage treatment and disposal system, said area to be known as North Shores Phase II Common Septic Area and Central Septic Field.

2. The Developer desires to develop a sewage treatment and disposal area to provide sanitary sewage disposal to serve the North Shores Phase II common septic area and Central septic field.

3. The Developer has applied to the Department for the issuance of permits pursuant to G.S. a-336 and a-337 to construct, maintain, and operate said sewage collection, treatment and disposal system.

4. The Developer has formed the North Shores II Owners Association, Inc., a non-profit corporation organized and existing under the laws of the State of North Carolina, for the purpose, among others, of handling the property, affairs, and business of the subdivision; of operating, maintaining, and repairing the common areas and facilities, including the sewage collection, treatment and disposal system; and of collecting sewer assessments to provide funds for such operation, maintenance, and repair.

5. All parties desire to assure that the sewage collection, treatment and disposal system of the North Shores II Common Septic Area and Central Septic Field is properly constructed, maintained, operated, and repaired in accordance with laws, rules, and permit conditions in order to protect the public health, the quality of the waters of the State and the public interest therein.

NOW, THEREFORE, for and in consideration of the premises and the benefits to be derived by each of the parties hereto, the Department, the Developer, and the Association do hereby mutually agree as follows:

1. The Developer shall construct the sewage collection, treatment, and disposal facilities in accordance with the permit, applicable rules, and plans and specifications hereafter issued and approved by the Department, and shall thereafter properly operate, maintain, and repair such systems in accordance with applicable permit provisions, rules, and laws until the entire system has been transferred to the Association.

2. The Developer shall not transfer ownership of the sewage collection, treatment and disposal system to the Association until the system has been inspected, permitted, and determined to be operating in accordance with applicable rules and operating conditions.

3. The Association, after transfer of ownership of the sewage collection, treatment and disposal system to it by the Developer, shall thereafter properly maintain, operate and repair the system in accordance with laws, rules, and the conditions of the permit. The Association shall levy and collect the assessments provided for in its bylaws, including special or additional assessments; and, in the event that the sum realized by the levy of such assessments shall not be adequate to maintain, operate, and repair the system as required by laws and conditions of the permit, the Association shall take such action as is necessary to secure funds adequate for such purposes.

4. The Association, in its duly filed bylaws, shall identify the entire sewage collection, treatment and disposal system as a common area which will receive expenditures by the Association.

5. The Association, upon dissolution, shall provide for the continued proper operation, maintenance, and repair of its sewage collection, treatment and disposal system.

6. The Association, except upon dissolution, shall not transfer, convey, assign, or otherwise relinquish or release its responsibility for the operation , maintenance, and repair of its sewage collection, treatment and disposal system.

7. If a wastewater collection system and wastewater treatment and/or disposal facility provided by any city, town, village, county, water and sewer authorities, or other unit of government shall hereinafter become available to serve the North Shores Phase II Subdivision, the Developer, or the Association shall take such action as is necessary to make connections of the existing and future wastewater of the North Shores II Subdivision to be accepted and discharged into such governmental system, and shall convey or transfer as much of the treatment system and such necessary easements as the governmental unit may require as a condition of accepting the North Shores II Owners Association wastewater.

8. A copy of this agreement shall be filed in the office of the Secretary of State of North Carolina with the Articles of Incorporation of the Association and the Register of Deeds of Iredell County.

IN WITNESS WHEREOF, this agreement was executed in triplicate originals by the duly authorized representatives of the parties hereto on the day and year written as indicated by each of the parties named below:

THIS the 2nd day of August, 1995.

BY THE AUTHORITY OF THE IREDELL COUNTY HEALTH DEPARTMENT

Iredell County Health Department
By: William D. Washburn, MPH
Title: Health Director, Iredell County

STATE OF North Carolina COUNTY OF Iredell,
Patricia B. Moore a Notary Public for Iredell
County, North Carolina, certify that William D. Washburn personally appeared before me this day, and signed the foregoing instrument.

Witness my hand and seal this the 2nd day of August, 19 95.

Patricia B. Moore
My Commission Expires November 21, 1996

Attest:

Ethelene G. Williams
Asst. Secretary

Crescent Resources, Inc., a South Carolina Corporation
By: _____
Title: President

NORTH CAROLINA, Mecklenburg COUNTY.

I, a Notary Public of the County and State aforesaid, certify that Ethelene G. Williams personally came before me this day and acknowledged that s he is Asst. Secretary of Crescent Resources, Inc., a South Carolina Corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by it Arthur W. Fields, President, sealed with its corporate seal and attested by herself as its Asst. Secretary.

Witness my hand and official stamp or seal, this 2nd day of August, 1995.

COLEEN D. GIRDWOOD NOTARY PUBLIC MECKLENBURG CO., NC

Coleen D. Girdwood
Notary

my commission expires: 6-19-1999

North Shores II Owners Association, Inc.
By: Susan L. Foster
Title: Vice President

Attest:
Sharon C Arrowood
Asst. Secretary

NORTH CAROLINA, Mecklenburg COUNTY.

I, a Notary Public of the County and State aforesaid, certify that Sharon C. Arrowood personally came before me this day and acknowledged that s he is Assistant Secretary of North Shore II Owners Association, Inc., a North Carolina corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by Susan L. Foster, President, sealed with its corporate seal and attested by her, as its Assistant, Secretary.

Witness my hand and official stamp or seal, the 2nd day of August, 1995.

My commission expires: 5/27/98 M. Sue Nelson Notary Public

STATE OF NORTH CAROLINA - IREDELL COUNTY

The foregoing certificate(s) of _____

_____

is (are) certified to be correct. This instrument was presented for registration this day and hour and duly recorded in the office of the Register of Deeds of Iredell County, North Carolina in Book _____, Page _____.

_____ day of _____, A.D., 19 ___ at _____o'clock ___M.

By: _____ _____

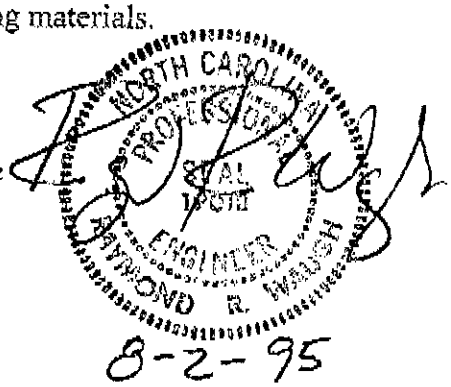
Register of Deeds Asst. Register of Deeds

Land Design
Engineering Services, Inc.

Property Description No. 18298
Tax Map No. 2G23A37
Iredell County
Northshore II (Pool Amenity Septic System)
August 2, 1995

ENGINEER'S CERTIFICATION

I, Raymond R. Waugh, as a duly registered Professional Engineer in the State of North Carolina, having been authorized to observe (periodically, weekly, full time) the construction of the project, North Shore II Pool Amenity Septic System, Iredell County, for the Permittee hereby state that, to the best of my abilities, due care and diligence was used in the observation of the construction of the above permit, such that the construction was observed to be built within substantial compliance and intent of this permit, the approved plans and specifications, and other supporting materials.

Signature 

Registration No. 19018

Date 8-2-95

1700 East Boulevard
Charlotte, NC 28203
Telephone: 704.376.7777
Fax: 704.376.8235

14-C Oak Branch Drive
Greensboro, NC 27407
Telephone: 910.855.5785
Fax: 910.855.1864

STATE OF NORTH CAROLINA

COUNTY OF Iredell

INSPECTION AND MAINTENANCE AGREEMENT

THIS AGREEMENT is made and entered into this 2nd day of Aug., 1995 by and between North Shores Owners Asso. Inc (hereinafter the "Owner") and Lancy C Jacobs, CBS (hereinafter the "Contractor").

WITNESSETH

WHEREAS, the Owner owns or controls the property upon which a ground absorption sewage treatment system (hereinafter "system") is installed, such system being designated a Type ___ system under the Rules for Sanitary Sewage Collection, Treatment and Disposal found at 15A N.C. Admin. Code 18A.1900 et seq.; and

WHEREAS, 15A N.C. Admin. Code 18A.1961 requires a contract to be executed between the system owner and a management entity prior to the issuance of an Operation Permit for said system; and

WHEREAS, 15A N.C. Admin. Code 18A.1961 requires that a condition of the Operation Permit for said system be that a properly executed contract between the system owner and a management entity shall be in effect for as long as the system is in use; and

WHEREAS, the Contractor is a management entity of a type authorized by 15A N.C. Admin. Code 18A.1961 to manage a Type ___ system.

NOW THEREFORE, in consideration of the premises and of the mutual covenants and promises contained in this Agreement, it is hereby agreed by and between the Owner and the Contractor as stipulated below.

1. The Contractor's Obligations. The Contractor shall perform the following services on the Owner's system located at North Shores Aminity (Pool).

a. The Contractor shall inspect the system at least at the frequency required in Table V(b) of 15A N.C. Admin. Code 18A.1961(b) for a Type ___ System.

b. The Contractor shall perform the following routine maintenance procedures in accordance with the conditions of the Operation Permit:

(1) [from operation permit]
(2)
(3)

c. The Contractor shall report the results of its inspections to the local health department at the frequency specified in Table V(b) of 15A N.C. Admin. Code 18A.1961(b) for a Type ___ System.

c. Termination by the Owner.
The Owner may terminate this Agreement by giving notice to the Contractor and to the local health department thirty (30) days in advance of the date of termination.

d. Termination by the Contractor.

(1) The Contractor may terminate this Agreement for cause by giving written notice of intent to terminate this Agreement to the Owner and to the local health department thirty (30) days in advance of the date of termination. Cause shall be defined as:

(a) failure to remit payment for any bill for services performed under and in accordance with this Agreement if said bill is not paid within thirty (30) days of receipt by the Owner of the bill. If said bill is paid after notice of termination is given but prior to the date of termination of this Agreement, this Agreement shall continue in effect; or

(b) failure of the Owner to provide to the Contractor authorization to complete needed repairs or satisfactory evidence that needed repairs to the system were completed by another entity within 3 days of receipt of notice of needed repairs pursuant to paragraph 1.e. above. If said authorization to complete needed repairs or evidence of completion of said repairs is provided after notice of termination is given but prior to the date of termination of this Agreement, this Agreement shall continue in effect;

(c) failure of the Owner to allow the Contractor such access to the system as is reasonably necessary in order for the Contractor to comply with the terms of this Agreement.

4. Assignment.

a. Assignment by the Owner. The Owner shall notify the Contractor of the name and address of any purchaser of the property on which the system is located. The Owner shall also notify any purchaser of the property on which the system is located of the existence of this Agreement and shall assign all rights and duties under this Agreement to said purchaser.

b. Assignment by the Contractor. The Contractor may assign its rights and duties under this Agreement to another management entity which is qualified pursuant to 15A N.C. Admin. Code 18A.1961 to manage a Type

of North Carolina, notwithstanding the place of execution, or the order in which the signatures of the Parties are affixed.

11. Entire Agreement and Amendment. This Agreement supersedes all prior negotiations, agreements and understandings between the Parties with respect to the subject matter hereof and constitutes the entire Agreement between the Parties with respect to the subject matter hereof. To be effective, any amendment or modification to this Agreement must be in writing and must be signed by the Parties.

12. Severability. In the event that any provision of this Agreement shall, for any reason, be determined to be invalid, illegal or unenforceable in any respect, the Parties shall negotiate in good faith and agree to such amendments, modifications or supplements of or to this Agreement or such other appropriate actions as shall, to the maximum extent practicable in light of such determination, implement and give effect to the intentions of the Parties as reflected in this Agreement, and the other provisions of this Agreement shall, as so amended, modified, supplemented or otherwise affected by such action, remain in full force and effect.

IN TESTIMONY WHEREOF, the Parties hereto have executed this Agreement in duplicate originals, one of which is retained by each of the Parties, the day and year first above written.

Susan L. Foster
(Owner)

Attest:

Sharon Arrowood

Terry C. Jacobs, CPS
(Contractor)

Attest:

Patricia M. Jacobs