State of North Carolina

County of Iredell Permit Number 74576

THIS AGREEMENT is made and entered into this 6 day of MAY, 2002, by and between PETER J. SMITH (hereinafter the "Owner") and George R. Pendergrass (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 IVA 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 IVA 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 owners system located at 136 EAGLE CHASE CIR TROUTMAN N.C. (LOT 62)

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 IVA system.

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

(1) Inspect the structural integrity and maintain all of the physical and mechanical

components of the system.
(2) Inspect the performance and condition of the drainfield.
(3) Flush and clean the laterals of the system.
(4) Check and set pressures in the system.
(5) Check and adjust pump delivery rate of the system.
(6) Perform any other requirements of the Operations Permit.

C. The Contractor shall report the result of its inspections to home Owner after each inspection and 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 IVA System.

D. If an inspection indicates the need for system repairs, the Contractor shall notify the local Health Department within 48 hours of the inspection.

E. The Contractor shall notify the Owner of needed repairs which are outside the scope of routine maintenance described in subparagraph (b) above. The Contractor shall perform necessary repairs to the system that require the use of hand tools only at the request of the Owner and shall be entitled to payment therefor at the Contractors normal charge for services and materials. The Contractor shall not perform repairs that require the use of heavy equipment, electrical license or plumbing license.

2. The Owner's Obligations.

A. The Owner shall pay the Contractor upon the sum of **$225.00** for the first year of periodic inspections, routine maintenance procedures and periodic reports. The annual fee may be renewed at the end of each **12** month period. The annual fee may be amended upon sixty (60) days advance notice to the Owner but may not increase more than **20** percent per year. The Owner shall pay in one of the following methods.

___( ) 225.00 dollars to be paid at the time of the signing of this aggrement.

X (·) 112.50. dollars to be paid at the time of the signing of this agreement and 112.50. to be paid before the next scheduled inspection.

B. The Owner shall pay to the Contractor his normal and customary fees for any work performed on the system (15.00 dollars per hour, with minimum of one hour, plus cost of materials) as a result of nonscheduled service or maintenance calls. All fees for nonscheduled service or maintenance are due and payable within thirty (30) days of billing. Payments due to the Contractor and unpaid by the Owner after thirty (30) days shall accrue interest from the due date until paid at a rate if **1.5** percent per month.

C. The Owner shall keep the area of the septic system drainfield properly mowed and protected from traffic. The Owner shall keep the designated repair area reserved for future repair to the septic system.

D. The Owner shall provide the Contractor with such access to the system as is

reasonably necessary for the Contractor to comply with the terms of this Agreement.

3. Term. This Agreement shall remain in effect until termination.

A. Automatic Termination
This Agreement shall automatically terminate if the Operation Permit for the system is revoked and all appeals of the revocation are exhausted or time for taking an appeal has passed.

B. Termination by Mutual Consent
The Parties may mutually agree to terminate this Agreement by giving written notice of termination by mutual consent to the local Health Department thirty (30) days in advance of the date of termination.

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 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.

(2) The Contractor may not terminate this Agreement without cause, but may assign its rights and duties under this Agreement as provided in paragraph 4, below.

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 IVA system upon thirty (30) days written notice to the Owner and the local Health Department.

5. Representations.

The Parties represent to each other that each has the power, authority, and legal right to enter into and perform its obligations as set forth in this Agreement.

6. Regulatory Amendments.

References in this Agreement to sections of the Administrative Code shall include such rules as they may be amended in the future.

7. No Implied Waiver.

The waiver by either Party of a default or a breach by the other Party of any provision of this agreement shall not operate or be construed to operate as a waiver of any subsequent default or breach. The failure at any time of either Party to enforce any provision of this Agreement (a) shall not be construed to be waiver of such provisions, or of any other provision; and (b) shall not in any way affect the validity of this Agreement, or any part of this Agreement, or the right of either Party thereafter to enforce each and every provision of this Agreement.

8. Notice.

Every notice required under this Agreement shall be in writing and shall be deemed sufficiently given if delivered in person or sent by mail and addressed as follows:

To the Owner: Pete Smith
136 Eagle Chase Cir
Troutman NC

To the Contractor:

George R. Pendergrass
2614 Carpenter Drive
Claremont, NC 28610

To the Local Health Department:

Iredell County
Environmental Health

318 Turnersburg Rd.
Statesville, NC 28677

or

412 E. Center St.
Mooresville, NC 28115

The date of any Notice shall be the date of delivery. Changes in the respective addresses to which notice may be directed may be made from time to time by either Party by notice to the other Party.

9. Place of Agreement.

This Agreement and any questions concerning its validity, construction of and performance shall be governed by the laws of the State of North Carolina, notwithstanding the place of execution, or the order in which the signatures of the Parties are affixed.

10. Entire Agreement and Amendment.

This Agreement supersedes all prior negotions, 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.

11. Severabilty.

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 appropiate 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.

(OWNER) _____

(CONTRACTOR) Doug B Pardue