

TERM SHEET FOR PROPOSAL TO TRANSFER CALHOUN FALLS'S WATER AND SEWER SYSTEM TO CITY OF ABBEVILLE

1. The Town of Calhoun Falls ("CF") will transfer its Water and Sewer System (the "CF System") to the City of Abbeville ("Abbeville") in fee simple. This transfer will include all assets (including accounts payable) and all obligations (including debts owed to any state or federal government agency that is secured by a pledge of the CF System Revenues, and any obligation owed to any state or federal environmental regulatory agency). Abbeville will forgive the amount owed to it by CF for water at the time of the transfer, subject to recoupment from future rates as set out in Item 6 below.
2. Abbeville will accept full ownership of the CF System, including those assets and obligations; and it will become a part of the Abbeville system.
3. Following the transfer, all decisions regarding the operating, maintaining, repairing, and extending the water and sewer service infrastructure serving CF will be the responsibility of Abbeville; and Abbeville will have sole control over and responsibility for that infrastructure, its operation, maintenance, repair, and any extension.
4. CF will grant to Abbeville an exclusive franchise for providing water and sewer service inside the CF town limits for 99 years; and Abbeville will covenant to provide water and sewer service to CF for that period.
5. CF will have the right to establish and to modify from time to time a franchise fee as a percentage of gross revenues actually received by Abbeville from water and sewer customers located within the CF town limits; provided, however, that: (i) the franchise fee cannot exceed 10% of those gross revenues actually received by Abbeville; and (ii) the franchise fee will be reflected as a separate line item and identified as a charge imposed by CF on each invoice that Abbeville sends to those customers. CF may use the revenues from that franchise fee for any lawful municipal purpose.
6. In rate-setting, Abbeville will establish the acquired customers of the CF System (and any later-acquired customers serving whom uses assets of the transferred CF System) as a separate cost-and-revenue accounting center, the revenues from which must be at least sufficient to cover all costs associated with it, including an allocable share of administrative and overhead costs of Abbeville's system. For purposes of that cost-and-revenue accounting, the amortization over an appropriate period and at fair market interest rates of any obligation that Abbeville assumes as part of the transfer or debt owed to Abbeville by CF at the time of the transfer, will be included as a cost of that center. Rates for McCormick County (and for any other later-acquired wholesale customer serving whom uses assets of the transferred CF System) will be set by contract between Abbeville and that customer; and the costs of infrastructure and service to such customers, and revenues from such customers, will be included in the CF cost-and-revenue accounting center.