



October 10, 2008

Ernestine;

As we discussed yesterday, our City Attorney feels that in order to follow North Carolina guidelines both documents need to be combined into one "Lease-Purchase Agreement". Since North Carolina attorneys are more familiar with the format of these agreements, we are offering to have our attorney draft the document for review by you, the Gatlings and the Gatling's attorneys and financial advisor. We believe that doing this will help expedite this cumbersome process.

We also discussed the fact that Section 3 "Purchase Price" is not drafted to reflect the cash flow arrangements we all agreed upon in July. The City proposes that the following changes be made to this section:

3.1 Payment of Purchase Price; Investment of Earnest Money. The purchase price for the Property (exclusive of interest, prorations, closing adjustments and costs provided for elsewhere in this Agreement) shall be TWELVE MILLION, FIVE HUNDRED THOUSAND and NO/100 DOLLARS (\$12,500,000) (the "**Purchase Price**"). The Purchase Price including interest at 5.85% per annum shall be payable in U.S. dollars by Purchaser as set forth in the following subparagraphs.

(a) Payment Schedule. Purchaser shall pay to Seller the amounts shown below (the "**Payments**") on the first day of each month of the Lease-Purchase Term (as hereinafter defined). Except as otherwise provided herein, the Payments shall be non-refundable to Purchaser, but applicable to the Purchase Price.

Month	Payment Amount	Payment Application
Upon signing agreements	\$250,000.00	Principal only
2 thru 4	\$ 59,718.75	Interest only
5 thru 6	\$250,000.00	Principal and Interest
7 thru 9	\$ 57,858.99	Interest only
10 thru 171	\$ 98,203.49	Principal and Interest
172	\$ 97,620.22	Principal and Interest

If all payments are made on time, the Purchase Price shall be reduced by \$200,000 at the end of months 21, 33, 45, 57 and 69; thereby reducing the Purchase Price to ELEVEN MILLION, FIVE HUNDRED THOUSAND and NO/100 DOLLARS (\$11,500,000).

(b) **Balance of Purchase Price.** The balance of the Purchase Price (“**Balance**”), if any, plus or minus accrued interest, prorations, closing adjustments and costs as set forth in this Agreement, if any, is due at the closing of the transaction contemplated by this Agreement (“**Closing**”) and must be paid by an official cashier’s check from a U.S. bank, made payable to the order of a mutually agreed upon escrow agent, or by wire transfer to a bank account designated by the escrow agent.

Ernestine, I also told you yesterday that I was waiting to hear from the Local Government Commission about the form of the 5% bid deposit. I have been given written confirmation that the bid deposit can be in the form of cash or a bid bond from a highly rated and reputable insurance company.

Please let me know as soon as possible if the above changes meet with your approval. I need to be in a position Tuesday night to tell City Council that we have resolved these issues.

Call me if you have questions or comments about these changes. Thank you for your patience as we work through the final details.

Phyllis Lee

City Manager
City of Roanoke Rapids