

LOUDON COUNTY COMMISSION
REGULAR MEETING
January 03, 2005

- | | | |
|------|--|----------------------------|
| (1) | Public Hearing | |
| (2) | Opening Of Meeting | |
| (3) | Roll Call | |
| (4) | Agenda Adopted | |
| (5) | Minutes for December 06, 2004 Approved | |
| (6) | Comments: Agenda Items | |
| (7) | Stalking Laws Resolution Approved | <u>Resolution 010305-A</u> |
| (8) | Gov. Affairs Scheduled | |
| (9) | Tsunami & IRS Info | <u>Exhibits B - C</u> |
| (10) | Road List Deferred | |
| (11) | Health Dept. Grant Approved | |
| (12) | Highway 321 Rezoning Approved | <u>Resolution 010305-D</u> |
| (13) | Recycling Center Director's Salary Change Approved | |
| (14) | Clerk & Master Budget Amendment Approved | |
| (15) | Hwy 70 Settlement Approved | |
| (16) | TASS Bond Resolution Approved | <u>Resolution 010305-E</u> |
| (17) | Notaries Approved | |
| (18) | Comments: Non-Agenda Items | |
| (19) | Executive Session Held | |
| (20) | Annexation Motion Passed | |
| (21) | Emory Road Investment Request Approved | <u>Resolution 010305-F</u> |
| (22) | Adjournment | |

LOUDON COUNTY COMMISSION
STATE OF TENNESSEE
COUNTY OF LOUDON
January 03, 2005
6:00 PM

PUBLIC HEARING

(1)
Public
Hearing

1. Consideration of adopting a resolution to rezone property containing 14.65 acres, located at 23785 Highway 321 South, situated in the Third Legislative District, referenced by Tax Map 44, Parcel 34.00, from A-1, Agriculture-Forestry District, to C-1, Rural Center District.
No one came forward to speak.

REGULAR MEETING

(2)
Opening
Of Meeting

BE IT REMEMBERED that the Board of Commissioners of Loudon County convened in regular session in Loudon, Tennessee on the 3rd day of January, 2005.
The **Honorable Roy Bledsoe** called the meeting to order.
Sheriff Tim Guider opened Court and led the Pledge of Allegiance to the Flag of the United States of America, and **Commissioner Jenkins** gave the invocation.

(3)
Roll Call

Present were the following Commissioners: **Marcus, Meers, Jenkins, Franke, Bledsoe, Shaver, Harold and Miller: (8).**
The flowing Commissioners were absent: **Maples and Duff: (2).**
Thereupon **Chairman Bledsoe** announced the presence of a quorum. Also present was the **Honorable George Miller, County Mayor** and **Loudon County Attorney Harvey Sproul.**

(4)
Agenda
Adopted

Chairman Bledsoe requested that the January 03, 2005 agenda be adopted.
Commissioner Miller requested to add two (2) informative items to the agenda. **Mayor Miller** requested that item 6A2, "*Consideration of adopting a resolution urging the General Assembly to amend the Adult-Oriented Establishment Registration Act of 1998 to eliminate this problem with effective enforcement of the act*" and Item 6A3, "*Consideration of annexation lawsuit negotiation reply letter from Lenoir City Mayor Brookshire*" be deferred to executive session.
Commissioner Shaver questioned Item 6F2, "*Consideration of adoption of final bond resolution for the benefit of the Tellico Area Service System waterline extensions*" as to why it was not taken to a workshop. Mayor Miller replied that this is a formality for the project that has already been approved and urged Commission to keep this item on the agenda.
A **motion** was made by **Commissioner Miller** with a second by **Commissioner Franke** to adopt agenda with requested changes.
Upon voice vote the motion **Passed** unanimously.

(5)
Minutes for
December 06,
2004
Approved

Chairman Bledsoe requested the December 06, 2004 County Commission Meeting minutes be approved and accepted.
A **motion** was made by **Commissioner Shaver** with a second by **Commissioner Meers** to adopt minutes as presented.
Upon voice vote the motion **Passed** unanimously.
Commissioner Duff joined the meeting.

(6)
Comments:
Agenda
Items

Chairman Bledsoe asked for any visitor wishing to address the Commission regarding items on the planned agenda to come forward.
No one came forward to speak.

(7)
Stalking
Laws
Resolution
Approved

County Mayor Miller requested discussion and possible action on the following items:

1. Consideration of adopting a resolution requesting the Tennessee Legislature to strengthen our stalking laws and increase the penalties for stalking.

A **motion** was made by **Commissioner Jenkins** with a second by **Commissioner Franke** to adopt this resolution.

Upon voice vote the motion **Passed** unanimously.

Resolution 010305-A

(8)
Gov. Affairs
Scheduled

2. Consideration of request to set meeting date for the Governmental Affairs Committee.

Mayor Miller announced that he would schedule a meeting and contact members of the committee.

(9)
Tsunami &
IRS Info

Commissioner Miller distributed information regarding Senator Frist's efforts to assist with tsunami victims and the IRS Taxpayer Advocacy Panel.

Documentation attached as **Exhibits B – C.**

(10)
Road List
Deferred

Russ Newman, Loudon County Planning and Community Development, requested discussion and possible action on the following items:

1. Consideration of adopting 2005 Loudon County road list.

A **motion** was made by **Commissioner Shaver** with a second by **Commissioner Franke** to defer this matter to the next workshop for further review.

Upon voice vote the motion **Passed** unanimously.

(11)
Hwy 321
Rezoning
Approved

2. Consideration of adopting a resolution to rezone property containing 14.65 acres, located at 23785 Highway 321 South, situated in the Third Legislative District, referenced by Tax Map 44, Parcel 34.00, from A-1, Agriculture-Forestry District, to C-1, Rural Center District.

A **motion** was made by **Commissioner Franke** with a second by **Commissioner Marcus** to adopt this resolution.

Upon voice vote the motion **Passed** unanimously.

Resolution 010305-D

(12)
Health Dept.
Grant
Approved

Tracy Blair, Loudon County Director of Budgets and Accounts, requested discussion and consideration of the following items:

1. Consideration of approving grant for reimbursement of Health Department salaries.

A **motion** was made by **Commissioner Shaver** with a second by **Commissioner Jenkins** to accept this grant.

Upon roll call vote the following Commissioners voted **Aye: Marcus, Meers, Jenkins, Franke, Bledsoe, Duff, Shaver, Harold and Miller: (9).**

The following Commissioners voted **Nay: (0).**

The following Commissioner was **Absent: Maples: (1).**

Thereupon the Chairman announced the motion **Passed: (9-0-1).**

(13)
Recycling
Center
Director's
Salary
Change
Approved

2. Consideration of recommendation to restructure Recycling Center Director's salary, making his salary \$42,000 per year, with exempt status and bonuses remaining as approved in original budget.

A **motion** was made by **Commissioner Jenkins** with a second by **Commissioner Shaver** to accept this recommendation.

Upon roll call vote the following Commissioners voted **Aye: Marcus, Meers, Jenkins, Franke, Bledsoe, Duff, Shaver, Harold and Miller: (9).**

The following Commissioners voted **Nay: (0).**

The following Commissioner was **Absent: Maples: (1).**

Thereupon the Chairman announced the motion **Passed: (9-0-1).**

(14)
Clerk &
Master
Budget
Amendment
Approved

3. Consideration of approving amendment to Clerk & Master's budget, increasing by \$2,110 for shelving.

A **motion** was made by **Commissioner Jenkins** with a second by **Commissioner Meers** to approve this budget amendment.

Upon roll call vote the following Commissioners voted **Aye: Marcus, Meers, Jenkins, Franke, Bledsoe, Duff, Shaver, Harold and Miller: (9).**

The following Commissioners voted **Nay: (0).**

The following Commissioner was **Absent: Maples: (1).**

Thereupon the Chairman announced the motion **Passed: (9-0-1).**

(15)
**Hwy 70
Settlement
Approved**

A **motion** was made by **Commissioner Shaver** with a second by **Commissioner Duff** to settle with Highway 70 sewer property owners (Elam's) in the amount of \$4,500 for improper location of materials per signed easement.

Upon roll call vote the following Commissioners voted **Aye: Marcus, Meers, Jenkins, Franke, Bledsoe, Duff, Shaver, Harold and Miller: (9).**

The following Commissioners voted **Nay: (0).**

The following Commissioner was **Absent: Maples: (1).**

Thereupon the Chairman announced the motion **Passed: (9-0-1).**

(16)
**TASS Bond
Resolution
Approved**

Harvey Sproul, Loudon County Attorney, requested discussion and possible action on the following items:

1. Consideration of adoption of final bond resolution for the benefit of the Tellico Area Services System waterline extensions.

A **motion** was made by **Commissioner Shaver** with a second by **Commissioner Franke** to adopt this bond resolution.

Upon roll call vote the following Commissioners voted **Aye: Marcus, Meers, Jenkins, Franke, Bledsoe, Duff, Shaver, Harold and Miller: (9).**

The following Commissioners voted **Nay: (0).**

The following Commissioner was **Absent: Maples: (1).**

Thereupon the Chairman announced the motion **Passed: (9-0-1).**

Resolution 010305-E

(17)
**Notaries
Approved**

A **motion** was made by **Commissioner Meers** with a second by **Commissioner Shaver** to approve notaries for Tom Peeler, Naomi P.H. Graves, Hilaire Ann McCaughn, Linda B. McDaniel and Steven Mabry Cleveland.

Upon voice vote the motion **Passed** unanimously.

(18)
**Comments:
Non-Agenda
Items**

Chairman Bledsoe asked for any visitor wishing to address the commission regarding items not on the agenda.

No one came forward to speak.

(19)
**Executive
Session Held**

Chairman Bledsoe called for Executive Session at 6:55 pm.

Commission returned from Executive Session at 8:45 pm.

(20)
**Annexation
Motion
Passed**

A **motion** was made by **Commissioner Shaver** with a second by **Commissioner Duff** to direct County Mayor Miller to forward request to Attorney Rex Dale to respond to the City of Lenoir City Mayor and Council that the Loudon County Commission does not accept their proposal of negotiations regarding 321annexation.

Upon voice vote the motion **Passed** unanimously.

(21)
**Emory Road
Investment
Request
Approved**

A **motion** was made by **Commissioner Meers** with a second by **Commissioner Marcus** to adopt a resolution authorizing the County Mayor to request a 25' right-of-way through the property of Emory Road Investments to Highland Business Park.

Upon voice vote the motion **Passed** unanimously.

Resolution 010305-F

(22)
Adjournment

There being no further business, a **motion** being duly made and seconded, the January 03, 2005 meeting stood adjourned at 8:48 p.m.

ATTEST:


COUNTY CLERK


CHAIRMAN


COUNTY MAYOR

Resolution 010305-A

**Resolution Requesting The Tennessee Legislature To Strengthen Our
Stalking Laws And Increase Penalties For Stalking**

WHEREAS, the present Tennessee Law prohibiting stalking, TCA 37-17-315, presently provides that stalking is a misdemeanor unless a person is convicted more than once; and

WHEREAS, stalking is an increasing problem and has resulted in serious injury and death to stalking victims; and

WHEREAS, person who engage in stalking often have serious psychiatric problems and are a danger to society; and

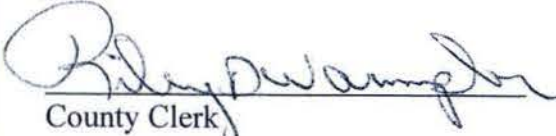
WHEREAS, certain members of the Tennessee Senate and House of Representatives will introduce legislation in the 2005 session to strengthen our laws outlawing stalking and provide that a first conviction of stalking would be a felony offense; and

WHEREAS, the present law prevents judges and prosecutors from pursuing or sentencing first time stalkers to meaningful prison time, as the maximum prison sentence is less than one year in jail. Greater maximum penalties for first offense stalking is needed to give these officials the ability to protect victims of stalking.

NOW THEREFORE BE IT RESOLVED, by the Loudon County Commission, meeting in regular session assembled this 3rd day of January, 2005, that Loudon County hereby supports increasing the maximum penalty for first time stalking a felony and that the Representatives in the State Legislature for Loudon County should be provided a copy of this Resolution and be urged to support increased penalties for stalking.


County Chairman

Attest:


County Clerk

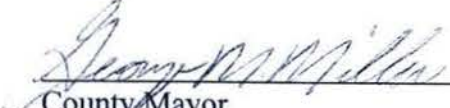

County Mayor

EXHIBIT B

Subj: Fwd: Frist, disaster
Date: Friday, December 31, 2004 9:26:36 AM
From: TVjeMiller
To: TVdrMiller

Begin forwarded message:

> From: Senator Bill Frist <Senator.Bill.Frist@publicaster.com>
> Date: December 30, 2004 5:05:30 PM EST
> To: TVJEMILLER@AOL.COM
> Subject: Frist, disaster
>

> This week I am going to India to try to help.

>

> Once again this morning I'm stunned. I feel like I've been hit in
> the stomach. It is like 9/11 but so different. There is no one to
> blame. No one to be mad at. It's a totally different kind of
> terror. But the emptiness is paralyzing -- until we realize there is
> something we CAN do. Act! Time is of essence. There is a moral
> imperative for us to act quickly.

>

> Like you, I've watched with profound sadness as the tragedy caused by
> tsunamis in Southern Asia has unfolded over the past three days. More
> than 100,000 people have been killed -- over a third of them
> children. As many as 3,000 Americans are unaccounted for. And
> countless others have lost everything but their lives. My friend Ken
> Isaacs, with whom I've traveled to Sudan so many times told me late
> last night (on his way to Thailand and India and Indonesia to assess
> for our government) that as many as 5 million people are today
> displaced from home and family. This ranks among the worst disasters

> of our lifetimes and one of the worst humanitarian tragedies of all
> time. And it is not over.
>
> Now, the victims face "the disaster after the disaster" -- the risk
> of death from cholera, malaria, typhoid, diarrhea, and dysentery on an
> epidemic scale. The lack of potable water and water-borne illnesses
> will be the major killer. The tragedy will grow daily.
>
> My position in the Senate allows me to see the bold responses of so
> many. Yesterday, I spent most of the day on the phone -- with my
> friend Carl Lindner whose son is putting together medical and relief
> supplies on a 747 chartered to India early next week. With Franklin
> Graham and my friends from Samaritan's Purse who are in the field
> right now with assessments and who are investing heavily especially in
> rural areas that so frequently escape the attention of government
> relief efforts. With Condi Rice and our U.S. officials. With the
> ambassadors and leaders of the countries affected whom I have called
> to express our sympathy and support. With Fred Smith, whose Fed Ex is
> supplying transport.
>
> Today, I ask for YOUR help.
>
> Sadly, there is nothing we can do to bring back the lives who have
> been lost. But we can pray that their souls find a peaceful place to
> rest. We can also pray to ease the pain of family members who have
> lost loved ones. If you are a person of faith -- regardless of which
> faith -- I ask you to do this over the coming days.
>
> In addition to your prayers, the people of Southern Asia need your
> immediate assistance. They need relief and reconstruction. And they
> need it now. You can make a difference. What you do in the next few
> minutes, the next hour, the next day can help save the lives of
> thousands of people and ease the suffering of thousands more. Right
> now, families are starving. They don't have clean water. Their clinics
> and hospitals are overloaded. As we've seen so graphically on TV, they
> can't even bury their dead. People simply don't have what they need to
> survive. And without our help, hundreds of thousands may not
> survive. America will respond. And we will lead the international

> response. It is our moral purpose.

>

> America must be the moral force. The United States is the most
 > generous and caring nation on earth. And President Bush
 > yesterday pledged the steadfast support of our government. As
 majority
 > leader in the Senate, I pledge the full support of the Senate. The
 > magnitude of this human tragedy may well define us in the years to
 > come. The world has seen in recent years how tough the U.S. can be --
 > now they must see how magnanimous and caring we are as a nation. And
 > we also must act as a people -- to show how much we Americans care
 > about the world and our fellow human beings who hurt and are in need
 > of hope. Now is the time for us to act. No one can sit on the
 > sidelines.

>

> First, consider making a donation -- even if you can only afford a
 > few dollars. USAID has a very informative site up about the disaster
 > and how you can help. Here's the link --
 > http://www.usaid.gov/locations/asia_near_east/tsunami/ -- and
 another
 > link to the list of relief organizations working in the area --
 > [http://www.usaid.gov/locations/asia_near_east/tsunami/](http://www.usaid.gov/locations/asia_near_east/tsunami/ngolist.html)
 > [ngolist.html](http://www.usaid.gov/locations/asia_near_east/tsunami/ngolist.html). You can also click on www.amazon.com to make a direct
 > donation to the Red Cross. So far, as I write this, Amazon has
 > collected more than \$4 million from nearly 70,000 people! My personal
 > recommendations based on my discussions with people on the ground
 > there include World Vision, Samaritan's Purse, Catholic Relief
 > Services, and International Rescue Committee. For more information
 > about how to help those in need, visit the State Department's website
 > at www.State.Gov.

>

> Many of you have helped me over the past year outside of politics
 > with the World of Hope, a charitable foundation I founded that has
 > given 3 million dollars to HIV and public health in the last few
 > months -- our board is today addressing the opportunity to focus
 > current efforts on the disaster in Asia. Every American charitable and
 > religious organization should pitch in and help. Encourage them to do
 > so.

>
> I also ask you to send directly to me your thoughts over the next 48
> hours about what our country can do to help the tsunami victims. As
> Senate Majority Leader and as a doctor who has been actively
> involved in medical mission and relief work outside of politics, I
> have many resources at my disposal -- but I need your counsel and
> specific ideas. So please email me at bill.frist@volpac.org with any
> ideas that you think may help.
>
> I ask you to consider doing these things because lives are at stake
> and, if we act immediately; we can help save those lives. I know
> sometimes it's hard to see how a simple idea or a few dollars
> translate into making a difference in the world. In this case, it's
> crystal clear. We Americans can make a difference. Our moral purpose
> is to do so.
>
> Thanks for your generosity, your ideas, and your prayers and support.
>
> Bill Frist
>
> You are receiving this email from VOLPAC because you have subscribed
> online on our website, donated to VOLPAC, been a past supporter in a
> non-financial way or your contact information was gathered from
> Republican voter files. If you do not wish to receive email
> communications from VOLPAC, please [click here](#) to unsubscribe.
>
> Please note: To receive VOLPAC emails in your inbox (not bulk or junk
> folders), please add Senator.Bill.Frist@publicaster.com to your
> address book. [Click here](#) for directions to add our address.
>
> VOLPAC
> Post Office Box 158552
> Nashville, TN 37215
> Office: (615) 386-0045
>
> Paid for by VOLPAC and not authorized by any candidate or candidate's
> committee.
>

2/27/06

Volume 1

Page 1 of 1

EXHIBIT C

IRS TAXPAYER ADVOCACY PANEL (TAP) WE NEED YOUR INPUT AND ASSISTANCE

- TAP was established by Presidential Directive and members appointed by U.S. Treasury Dept.
- TAP has about 100 volunteer members representing 50 states -- 2 from Tennessee
- TAP reports to the National Taxpayer Advocate and staff support is provided by about 20 IRS employees
- TAP's Mission
 - Listen to taxpayers
 - Identify taxpayer issues
 - Make recommendations for improving IRS services and customer satisfaction
- TAP is an Advisory Panel charged with providing direct citizen input into IRS decision making
- TAP does not deal with changes to Tax Laws or solve individual taxpayer problems

IF YOU WANT TO CHANGE THE IRS -- SPEAK UP HOW CAN YOU PROVIDE INPUT??

- Identify your concerns/issues/problems with IRS services and/or operations
- Make suggestions to change and improve IRS services and/or operations
- THEN CONTACT DON MILLER AT 865-458-0658 or tvdrmillar@aol.com

D.R. Miller/
1/3/05

Resolution 010305-D

RESOLUTION

A RESOLUTION AMENDING THE ZONING MAP OF LOUDON COUNTY, TENNESSEE, PURSUANT TO CHAPTER FOUR, §13-7-105 OF THE TENNESSEE CODE ANNOTATED, TO REZONE PROPERTY CONTAINING 14.65 ACRES, LOCATED AT 23785 HWY 321 SOUTH, SITUATED IN THE THIRD LEGISLATIVE DISTRICT, REFERENCED BY NEW TAX MAP 44, PARCEL 34.00, FROM A-1, AGRICULTURE-FORESTRY DISTRICT, TO C-1, RURAL CENTER DISTRICT.

WHEREAS, the Loudon County Commission, in accordance with Chapter Four, §13-7-105 of the Tennessee Code Annotated, may from time to time, amend the number, shape, boundary, area or any regulation of or within any district or districts, or any other provision of any zoning resolution, and

WHEREAS, the Regional Planning Commission has forwarded a recommendation regarding the amendment to the Zoning Map of Loudon County, Tennessee,

WHEREAS, a notice of public hearing and a description of the resolution appeared in the Loudon County News Herald on November 11th, 2004, consistent with the provisions of Tennessee Code Annotated, §13-7-105,

NOW, THEREFORE, BE IT RESOLVED by the Loudon County Commission that the Zoning Map of Loudon County, Tennessee be amended as follows:

1. That property containing 16.45 acres, located at 23785 Hwy 321 South, situated in the Third Legislative District, referenced by New Tax Map 44, Parcel 34.00, be rezoned from A-1, Agriculture-Forestry District, to C-1, Rural Center District, as represented on the attached map; said map being part of this Resolution.

BE IT FINALLY RESOLVED, that this Resolution shall take effect immediately, the public welfare requiring it.


ATTEST


APPROVED: LOUDON COUNTY EXECUTIVE


LOUDON COUNTY CHAIRMAN

DATE: 01/03/05

The votes on the question of approval of this Resolution by the Planning Commission is as follows:

APPROVED: 10

DISAPPROVED: 0


ATTEST: SECRETARY, LOUDON COUNTY
REGIONAL PLANNING COMMISSION

Dated: November 16, 2004

FILE #04-10-242-RZ-CO

Resolution 010305-E

The Board of County Commissioners of Loudon County, Tennessee, met in a regular session on January 3, 2005, at the County Courthouse, Loudon, Tennessee, with George Miller, County Mayor, presiding.

The following Commissioners were present: Bob Franke, Van Shaver, Harold Duff, Roy Bledsoe, Chuck Jenkins, Ed Harold, Don Miller, David Meers, Nancy Marcus

The following Commissioners were absent: Earlena Maples

There was also present Riley D. Wampler, County Clerk.

After the meeting was duly called to order, the following resolution was introduced by Van Shaver, seconded by Bob Franke and after due deliberation, was adopted by the following vote:

AYE: 9

NAY: 0

A RESOLUTION AUTHORIZING THE ISSUANCE OF A THREE HUNDRED SEVENTY THOUSAND DOLLAR (\$370,000) WATER REVENUE AND TAX BOND, SERIES 2005 OF LOUDON COUNTY, TENNESSEE; PROVIDING FOR THE COLLECTION AND DISPOSITION OF THE REVENUES FROM THE WATERWORKS SYSTEM OF THE TELlico AREA SERVICES SYSTEM; MAKING PROVISION FOR THE ISSUANCE, SALE AND PAYMENT OF SAID BOND; ESTABLISHING THE TERMS THEREOF AND THE DISPOSITION OF PROCEEDS THEREFROM, AND THE LEVY OF A TAX UNDER CERTAIN CONDITIONS FOR THE PAYMENT OF PRINCIPAL AND INTEREST ON THE BOND; AND PROVIDING DETAILS RELATING TO THE ISSUANCE OF BOND ANTICIPATION NOTES.

WHEREAS, by Sections 9-21-101 et seq., Tennessee Code Annotated, counties in Tennessee are authorized through their respective governing bodies to issue and sell bonds to finance public works projects; and

WHEREAS, Loudon County, Tennessee (the "County"), jointly with Monroe County, Tennessee, owns a waterworks system that is operated as the Tellico Area Services System ("TASS") by the Tellico Area Services Board, established pursuant to a intergovernmental agreement between the County and Monroe County, Tennessee, dated December 3, 1970; and

WHEREAS, the Board of County Commissioners of the County has heretofore determined that it is necessary and advisable to authorize the issuance of a revenue and tax deficiency bond of the County for the purpose of obtaining funds to aid in financing the construction of improvements and extensions to the TASS waterworks system; and

WHEREAS, the Board of County Commissioners of Loudon County, Tennessee did on June 7, 2004, adopt an Initial Resolution authorizing the bond; and

WHEREAS, no proceedings or petitions have been threatened or instituted opposing or contesting the validity of the proposed bond since the adoption and publication of the Initial Resolution authorizing the bond, all as required by law; and

WHEREAS, public notice has been given as and when required by law of the time, place and purpose of this meeting, the amount, the maximum interest rate, purpose and maximum annual debt service requirements of the bond authorized herein, and the fact that the bond shall be secured by the taxing power of the County;

NOW, THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Loudon County, Tennessee, as follows:

Section 1. Authority. The bond authorized by this resolution is issued pursuant to Sections 9-21-101, et seq., Tennessee Code Annotated, and other applicable provisions of law.

Section 2. Definitions. The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

- (a) "the Bond" shall mean the \$370,000 Water Revenue and Tax Bond, Series 2005 of the County, authorized to be issued by this resolution;
- (b) "the County" shall mean Loudon County, Tennessee;
- (c) "Current Expenses" shall mean expenses incurred in the operation of the System, determined in accordance with generally accepted accounting principles, including the reasonable and necessary cost of operating, maintaining, repairing and insuring the System, including the cost of obtaining potable water, salaries, wages, cost of material and supplies and insurance premiums, but shall exclude depreciation, payments of principal, premium and interest when due with respect to all bonds, notes or other obligations with respect to the System;
- (d) "Fiscal Year" shall mean the twelve months' period beginning on July 1 of each year and ending June 30 of the following year;
- (e) "the Governing Body" shall mean the Board of County Commissioners of the County;
- (f) "the Government" shall mean the United States of America, acting through Rural Development;
- (g) "Gross Earnings" shall mean all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by this resolution and resolutions authorizing any Prior Lien Bonds, Parity Bonds or subordinate lien bonds;
- (h) "Net Revenues" shall mean Gross Earnings of the System from all sources after deduction of Current Expenses;
- (i) "the Operation and Maintenance Fund" shall mean the Operation and Maintenance Fund established pursuant to Section 6 hereof if no such fund exists on the date of the delivery of the Bond;
- (j) "the Original Purchaser" shall mean the purchaser of the Bond as specified in Section 11 hereof;
- (k) "Parity Bonds" shall mean bonds issued on a parity with the Bond herein authorized in accordance with the restrictive provisions of Section 10 hereof;
- (l) "Prior Lien Bonds" shall mean the County's outstanding Waterworks Revenue Bonds, Series 1994, dated November 10, 1994 and its outstanding Water Revenue and Tax Refunding Bonds, Series 1998, dated May 1, 1998; and Monroe County's outstanding Water Revenue and Tax Bond, Series 1995, dated October 31, 1996; its Water Revenue and Tax Refunding Bonds, Series 1998, dated May 1, 1998; and its Water Revenue and Tax Bond, Series 2000, dated June 14, 2001; and in favor of certain Notes held by the Tellico Reservoir Development Agent ("TRDA") issued pursuant to an Agreement entered into by TRDA, the County and Monroe County, Tennessee, on December 4, 1986;

(m) "the Project" shall mean the improvements and extensions to the System which are to be constructed in part from the proceeds of the sale of the Bond in accordance with an engineering report and plans and specifications dated March 21, 2003, and revised on June 13, 2003, and October 21, 2003 and prepared by Vaughn & Melton Tennessee, Inc. (herein sometimes called "the Consulting Engineers"); and

(o) "the Revenue Fund" shall mean the System's general revenue fund described in Section 6 hereof;

(p) "the System" shall mean the complete waterworks system known as the "Tellico Area Services System" owned jointly by the County and Monroe County, Tennessee, and operated on their behalf by the Tellico Area Services Board, together with, and including, the Project, and all waterworks properties of every nature hereafter operated by said Board and owned by the County or Monroe County, including all improvements and extensions made by the County or Monroe County while the Bond or Parity Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the waterworks system, and including all appurtenances, contracts, leases, franchises and other intangibles.

Section 3. Authorization and Terms of the Bond. For the purpose of procuring funds to pay part of the cost of constructing the Project, including the payment of legal, fiscal and engineering costs incident thereto, and interest during construction of the Project and for six (6) months thereafter, there is hereby authorized to be issued a revenue and tax deficiency bond of the County in the principal amount of not to exceed \$370,000. The Bond shall be in the form of a fully registered installment bond, without coupons, shall be known as "Water Revenue and Tax Bond, Series 2005," and shall be dated as of the date of delivery thereof. The Bond shall bear interest at a rate not to exceed four and three-eighths percent (4.375%) per annum and shall be payable in four hundred fifty-six (456) equal consecutive monthly installments of principal and interest in an amount sufficient to fully amortize the Bond over the period of such installments. The annual principal and interest payment of the Bond at the maximum interest rate of four and three-eighths percent (4.375%) per annum is \$20,028. The first installment of principal and interest shall be due and payable one (1) calendar month following the date of the Bond, unless the Bond is dated on a day after the twenty-eighth (28th) day of the month, in which event the first installment shall be due and payable on the twenty-eighth (28th) day of the next calendar month following the date of the Bond, and all subsequent installments shall be due and payable on the same day of each month thereafter. In all events, the final, four hundred fifty-sixth (456th) installment shall be in the amount of the entire unpaid balance of principal and interest on the Bond. All payments in respect of the Bond, principal and interest, shall be made directly to the registered owner at its address shown on the Bond registration records of the County, without, except for final payment, the presentation or surrender of such registered Bond, and all such payments shall discharge the obligation of the County in respect of such Bond to the extent of the payments so made. The records of the owner of the Bond shall be conclusively presumed to be correct with respect of amount of payments made and outstanding principal balance. Upon final payment, the Bond shall be submitted to the County Clerk of the County, as bond registrar, for cancellation.

The County shall have the right, at its option, to prepay the Bond or any installment thereof, in whole or in part, at any time, without penalty. Any partial prepayment, after payment of interest, shall be applied to the installments last to become due under the Bond and shall not affect the obligation of the County to pay the remaining installments as they come due. Notice of prepayment shall be given to the registered owner of the Bond not less than thirty (30) days prior to the date of prepayment, unless waived by the registered owner.

The County hereby appoints the County Clerk of the County to act on behalf of the County as registrar and paying agent for the Bond. The Bond is transferable by the registered owner thereof, or by its attorney duly authorized in writing, on the registration records of the County, upon presentation of the

Bond to the registrar for transfer with the form of attached thereto completed in full and signed with the name of the registered owner. All transferees shall take the Bond subject to such condition. The County may treat the registered owner as the absolute owner hereof for all purposes and shall not be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue.

The Bond shall be signed by the County Mayor of the County, shall be attested by the County Clerk and shall have impressed thereon the corporate seal of the County.

Section 4. Source of Payment. The Bond shall be payable primarily from and be secured by a pledge of the Net Revenues, subject to the pledge of those Revenues in favor of the Prior Lien Bonds; and in the event such revenues are insufficient therefor, the Bond shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the County. For the prompt payment of principal of and interest on the Bond, the full faith, credit and resources of the County are hereby irrevocably pledged.

Section 5. Form of Bond. The Bond, the registration provisions and form of assignment shall be in substantially the following form, the omissions to be appropriately completed when the Bond is prepared and delivered:

(Form of Fully Registered Bond)

UNITED STATES OF AMERICA
STATE OF TENNESSEE
COUNTY OF LOUDON
WATER REVENUE AND TAX BOND, SERIES 2005

R-1

\$370,000

KNOW ALL MEN BY THESE PRESENTS: That Loudon County, Tennessee (the "County"), for value received hereby promises to pay to the registered owner hereof, or its registered assigns, in the manner and from the revenues hereinafter provided, the sum of Three Hundred Seventy Thousand Dollars (\$370,000), with interest on the unpaid balance hereof at the rate of _____ Percent (_____%) per annum from the date hereof until the principal amount hereof shall have been fully paid. This Bond is payable in four hundred fifty-six (456) consecutive monthly installments of principal and interest in the amount of \$ _____ each. The first installment shall be due and payable on _____, and all subsequent installments shall be due and payable on the same day of each month thereafter. In all events, the final, four hundred fifty-sixth (456th), installment shall be in the amount of the entire unpaid balance of principal and interest on the Bond. Both principal hereof and interest hereon are payable in lawful money of the United States of America by check or draft mailed to the registered owner at the address shown on the bond registration records of the County, and such payments shall discharge the obligation of the issuer hereof to the extent of the payments so made. Upon final payment this Bond shall be submitted to the County Clerk of the County, as Bond Registrar, for cancellation.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the County. Any partial prepayment shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of the County to pay the remaining installments as they come due. Notice of prepayment shall be given to the registered owner hereof not less than thirty (30) days prior to the date of prepayment, unless waived by the registered owner.

This Bond shall be transferable by the registered owner hereof, or by its attorney duly authorized in writing, on the registration records of the County Clerk of the County at the office of the County, upon presentation of the Bond to the registrar for transfer with the form of assignment attached hereto completed in full and signed with the name of the registered owner. All transferees shall take this Bond subject to such condition. The County may treat the registered owner as the absolute owner hereof for all purposes, and shall not be affected by any notice to the contrary whether or not any payments due on this Bond shall be overdue.

This Bond is issued by the County for the purpose of paying part of the cost of constructing waterworks system improvements and extensions to the System (as defined below) under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 9-21-101, et seq., Tennessee Code Annotated, and pursuant to a resolution duly adopted by the Board of County Commissioners of the County on the 3rd day of January, 2005 (the "Resolution").

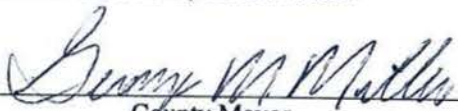
This Bond is payable primarily from and secured by a pledge of the income and revenues to be derived from the operation of the waterworks system of the County, known as the Tellico Area Services System, jointly owned by the County and Monroe County, Tennessee (the "System"), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System and to prior pledges of such revenues in favor of the County's outstanding Waterworks Revenue Bonds, Series 1994, dated November 10, 1994 and its outstanding Water Revenue and Tax Refunding Bonds, Series 1998, dated May 1, 1998; and Monroe County's outstanding Water Revenue and Tax Bond, Series 1995, dated October 31, 1996; its Water Revenue and Tax Refunding Bonds, Series 1998, dated May 1, 1998; and its Water Revenue and Tax Bond, Series 2000, dated June 14, 2001; and in favor of certain Notes held by the Tellico Reservoir Development Agent ("TRDA") issued pursuant to an Agreement entered into by TRDA, the County and Monroe County, Tennessee, on December 4, 1986. The County has covenanted and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond as each becomes due. In the event of a deficiency of such revenues, this Bond is payable from unlimited ad valorem taxes to be levied on all taxable property within the County. For the prompt payment of such principal and interest in the event of a deficiency of such revenues, the full faith, credit, and resources of the County are irrevocably pledged. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the above described resolution may be modified, reference is hereby made to the Resolution.

This Bond and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bond during the period the Bond is held or beneficially owned by any organization or entity, other than a general partnership or sole proprietorship, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bond in the Tennessee franchise tax base of any organization or entity, other than a general partnership or sole proprietorship, doing business in the State of Tennessee.

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, happen, and be performed precedent to and in the issuance of this Bond exist, have happened, and have been performed in due time, form, and manner as required by law, and that the amount of this Bond does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

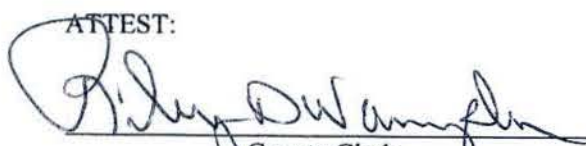
IN WITNESS WHEREOF, Loudon County, Tennessee, has caused this Bond to be signed by its County Mayor and attested by its County Clerk under the corporate seal of the County, all as of this 3rd day of January, 2005.

LOUDON COUNTY, TENNESSEE

BY: 
County Mayor

(SEAL)

ATTEST:


County Clerk

(Form of Assignment)

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto _____ the within Bond of Loudon County, Tennessee, and does hereby irrevocably appoint _____ attorney to transfer the said Bond on the books of the County Clerk of Loudon County, Tennessee, as Bond Registrar, with full power of substitution in the premises.

Dated: _____

WITNESS:

Section 6. Application of Revenues and Levy of Tax. From and after the delivery of the Bond hereunder, and as long as the Bond shall be outstanding and unpaid either as to principal or as to interest, the entire income and revenues of the System shall be deposited as collected in the County's general revenue fund (the "Revenue Fund") and used first to satisfy the contractual obligations set forth in any resolution(s) or agreements authorizing Prior Lien Bonds. The income and revenues remaining after satisfying such obligations shall be used as follows:

(a) To the extent not provided for in resolutions authorizing Prior Lien Bonds, money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.

(b) The money remaining in the Revenue Fund after payment of Current Expenses shall next be used, if no such fund exists, to fully fund a separate fund to be designated as the Water System Operation and Maintenance Fund which, together with any money already on deposit in said fund, or in any corresponding fund established by resolution authorizing Prior Lien Bonds, will equal one-fourth (1/4th) of the amount budgeted for Current Expenses for the current Fiscal Year by the Governing Body of the County as provided in Section 8(f) hereof; provided, however, that in no event shall the amount on deposit in the Operation and Maintenance Fund exceed one-fourth (1/4th) of the amount budgeted for Current Expenses for the current Fiscal Year, and any excess over such amount at the end of any Fiscal Year shall be returned to the Revenue Fund. If in any month the money in the Revenue Fund shall be insufficient to place the required amount in the Operation and Maintenance Fund, the deficiency shall be made up in the following month or months after payment of Current Expenses. Money on hand in the Operation and Maintenance Fund shall be used only for the payment of Current Expenses as the same become due;

(c) The money remaining in the Revenue Fund after the Operation and Maintenance Fund shall have been fully funded shall next be used to pay principal of and interest on the Bond and Parity Bonds as the same become due;

(d) Money thereafter remaining in the Revenue Fund may be used to pay principal of and interest on (including reasonable reserves therefor) any bonds payable from the revenues of the System but junior and subordinate in all respects to the Bond authorized by this resolution;

(e) Money on deposit in the Funds described in this Section may be invested in such investments as shall be permitted by Tennessee law. Funds in the accounts established herein may be pooled with each other and with accounts and funds established pursuant to resolutions authorizing Prior Lien Bonds for investment purposes. Segregated bank accounts need not be maintained for invested funds so long as any accounts and funds are segregated on the books and records of the County and their use restricted to the purposes set forth herein. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund;

(f) The Revenue Fund and the Operation and Maintenance Fund shall be held and maintained by the County and, when not invested, kept on deposit with a financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation, or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable Tennessee law;

(g) The County will comply with all provisions of the resolution(s) authorizing Prior Lien Bonds so long as any such bonds or notes are outstanding, and will maintain all funds provided for therein in the maximum amounts required. Any excess amounts after such maximum amounts have been reached and any balance in such funds after such Bonds have been retired shall be transferred to the corresponding funds created by this resolution and used as herein provided;

(h) The County will levy and collect such ad valorem taxes as may be necessary, together with other available funds after payment of Current Expenses, to provide for debt service on the Bond and Parity Bonds and to build up and maintain the Funds required by this Section, which tax may be reduced to the extent the revenues of the System are sufficient to meet the requirements of this resolution. All proceeds from such tax shall be deposited in the Revenue Fund.

Section 7. Charges for Services Supplied by the System. While the Bond remains outstanding and unpaid, the County covenants and agrees that it will cause the System to permit no free service to be furnished to any consumer or user whatsoever, and the charges for all services supplied through the medium of the System to the County and its residents and to all consumers shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining and operating the System, and the proper and necessary allowances for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on the Bond payable from such revenues, and there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to meet the requirements of Section 6 of this resolution.

The County will cause the System to bill its customers on a monthly basis and will discontinue service to any customer whose bill remains unpaid sixty (60) days following the mailing of such bill, until such bill and penalties shall have been paid in full.

Section 8. Covenants Regarding the Operation of the System. The County hereby covenants and agrees with the owner of the Bond so long as the Bond is outstanding:

(a) That the County will cause the System to be maintained in good condition in an efficient manner and at reasonable cost;

(b) That the County will cause to be maintained insurance on the properties of the System for the benefit of the owner of the Bond of a kind and in an amount which would normally be carried by private companies engaged in a similar type of business. The proceeds of any such insurance, except public liability insurance, received by the County shall be used to replace the part or parts of the System damaged or destroyed, or if not so used shall be placed in the Revenue Fund;

(c) That the County will cause to be kept proper books and accounts adapted to the System, and will cause the books and accounts to be audited at the end of each Fiscal Year by an independent certified public accountant. Each such audit, in addition to whatever matters may be thought proper by the accountant to be included therein, shall include the following:

1. A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;

2. A statement showing beginning and ending balances of each Fund described herein;

3. A balance sheet as of the end of the Fiscal Year;

4. The accountant's comments regarding the manner in which the County and the System has carried out the requirements of this resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;

5. A list of insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;

6. The number and classifications of customer service connections to the System as of the end of the Fiscal Year;

7. The disposition of any Bond or Parity Bond proceeds during the Fiscal Year;

8. A statement as to all breaches or defaults hereunder by the County or the System of which the accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Current Expenses. The County further agrees to furnish copies of such audits to the owner of the Bond within one hundred fifty (150) days after the close of each Fiscal Year. The owner of the Bond shall have at all reasonable times the right to inspect the System and the records, accounts and data of the County relating thereto. If the County fails to provide the audits and reports required by this subsection, the owner of the Bond may cause such audits and reports to be prepared at the expense of the County;

(d) That the County will cause the System to faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State of Tennessee, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will apply the revenues of the System to the purposes and funds specified in this resolution;

(e) That the County will not sell, transfer, lease, mortgage, or otherwise encumber, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof, without the prior written consent of the owner of the Bond; provided, however, that to the extent it may do so without impairing the rights of the owners of Prior Lien Bonds, but only with the prior written consent of the owner of the Bond, the County may at any time permanently abandon the use of, or sell at fair market value, any of the System facilities, provided that:

(1) It is in full compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the revenues of the System and the funds required hereunder have been established and contributions thereto are current;

(2) It will, in the event of sale, apply the proceeds to either (a) to redemption or prepayment of bonds payable from revenues of the System in accordance with the provisions governing repayment of such bonds in advance of maturity, or (b) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinafter provided;

(3) It certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing Net Revenues; and

(f) That, prior to the beginning of each Fiscal Year, the Governing Body of the County will prepare, or cause to be prepared, and adopt a budget of estimated Gross Earnings, Current Expenses and capital expenditures for the System for the ensuing Fiscal Year, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to the owner of the Bond upon request. The County covenants that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that it will not expend any amounts or incur any obligations in excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution by its Governing Body. It is further covenanted that if the estimated Gross Earnings for the succeeding Fiscal Year shall be insufficient to make all payments and transfers and satisfy all the obligations provided in

Section 6 hereof, then the County will promptly revise rates charged to users of the System to provide Gross Earnings sufficient for such purpose;

(g) That each officer of the County or person other than banks or other financial institutions having custody of funds of the System shall be under fidelity bond coverage at all times in such amount as may be required by state law and by the holder of the Bond;

(h) The County will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the County by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service.

Section 9. Remedies of Bondowners. Any owner of the Bond may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the County by the provisions of this resolution, including the making and collecting of sufficient rates, the segregation of the income and revenues of the System and proper application thereof, and the levy and collection of ad valorem taxes to meet the obligations of the County under this resolution.

If any default be made in the payment of principal of or interest on the Bond or Parity Bonds, then upon the filing of suit by any owner of said bonds or coupons appertaining thereto, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the County with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of operating expenses, and to apply the income and revenues thereof in conformity with the provisions of this resolution.

Section 10. Equality of Lien; Prohibition of Prior Lien; Parity Bonds. The County will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bond herein authorized.

Additional bonds may hereafter be issued on a parity with the Bond herein authorized under the following conditions but not otherwise:

(a) Additional bonds may be issued on a parity with the Bond herein authorized without regard to the requirements of subsection (b) of this section, but solely for the purpose of completing the Project; and

(b) Additional bonds may also be issued on a parity with the Bond herein authorized if the Net Revenues of the System for the Fiscal Year preceding the issuance of such additional bonds are equal to at least 120% percent of the average annual requirements for principal and interest on all obligations then outstanding and payable from the revenues of the System together with the proposed Parity Bonds; provided, that the limitations of this subsection (b) may be waived or modified by the written consent of the owner of the Bond.

Section 11. Sale of Bond and Issuance of Bond Anticipation Notes. The Bond shall be sold to the Government at a price of par and accrued interest. The County Mayor and County Clerk of the County are authorized to execute and deliver the Bond and any Bond Anticipation Notes and Interim Certificates of Indebtedness hereafter authorized and to execute such certificates and documents as they shall deem necessary in connection with the sale and delivery of the Bond.

For the purpose of providing funds to finance construction of the Project as herein described and in anticipation of the proceeds of the Bond, the County may issue Bond Anticipation Notes under authority of Section 9-21-401 (also referred to hereinafter as "Notes") in accordance with the following procedures and restrictions.

(a) The total principal amount of the Notes may not exceed \$355,000 (principal of the Bond less capitalized interest);

(b) The notes shall be designated "Bond Anticipation Notes" and shall be numbered serially beginning with the number 1. The Notes shall be issued in fully registered form, without coupons, and shall be dated as of the date of the issuance thereof, shall mature not later than two (2) years thereafter and shall be of such denomination(s) as may be agreed upon by the County Mayor and the purchaser of the Notes;

(c) The Notes shall bear interest at a rate not to exceed the maximum rate permitted by applicable law, payable at such time as the Mayor and the purchaser of the Notes shall agree;

(d) The Notes shall be subject to prepayment on such terms as the Mayor shall agree;

(e) The Notes shall be executed and signed in the name of the County by the County Mayor and attested by the County Clerk;

(f) The Notes shall be in a form prepared by bond counsel and consistent with the terms of this resolution with the County Mayor's execution of the Notes being deemed his approval;

(g) The County Mayor is authorized, at his or her election, to enter into one or more loan agreements, in substantially the form attached hereto as Exhibit A, with a public building authority, to further evidence the County's obligation with respect to the Notes;

(h) Notes issued pursuant to this Section shall be payable from the Net Revenues of the System, subject to prior pledges of such Revenues in favor of holders of the Prior Lien Bonds or Outstanding Notes. In the event of a deficiency of such Revenues, there shall be levied upon all taxable property in the County, in addition to all other taxes, a direct annual tax for each of the years while said Notes, or any of them, are outstanding, in amounts sufficient to pay interest on and the principal of the Notes. Principal of and interest coming due any time when there shall be insufficient funds on hand to pay the same shall be promptly paid when due from the general funds and reimbursement shall be made to such fund or funds in the amount of the sums thus advanced when taxes provided for that purpose shall have been collected; provided, however, that when the Bond authorized by this resolution shall have been issued, the principal proceeds of such Bond in an amount not exceeding the principal amount of Notes issued hereunder and then outstanding (together with any accrued interest provided for from the Bond proceeds) shall be applied to the retirement of such Notes and such proceeds are hereby pledged for the benefit of the noteholder(s);

(i) The Notes shall not be issued or executed until after the approval of the Tennessee State Director of Local Finance has been obtained as required by Sections 9-21-101, et seq., Tennessee Code Annotated;

(j) The Notes shall be sold by the County Mayor in whole or in part from time to time at not less than par and accrued interest and said Notes shall thereupon be delivered to the purchaser(s) by the County Clerk upon payment therefor. The action of the County Mayor in selling the Notes and fixing the interest rate or rates on the Notes, but not exceeding the maximum rate permitted by applicable law, and

fixing the denomination and maturity dates of such Notes, shall be binding on the County, and no further action by the Governing Body shall be necessary in reference thereto;

(k) The Notes shall not be issued until after the passage of twenty (20) days from the date of publication of the Initial Resolution authorizing the Bond in a newspaper of general circulation in the County, and in no event shall such Notes be issued if a petition signed by at least ten percent (10%) of the registered voters in the County is filed protesting the issuance of the Bond within the prescribed twenty-day period;

(l) Included within the term "Bond Anticipation Notes" are Interim Certificates of Indebtedness ("Interim Certificates") which may be issued to the Original Purchaser of the Bond upon the terms and conditions herein provided. The combined principal amount of Bond Anticipation Notes and Interim Certificates outstanding at any one time shall not exceed the total principal amount of the Bond authorized by this resolution less the capitalized interest (as hereafter defined), if any, provided for as part of the principal amount of the Bond. The Bond purchase price paid by the Government shall be reduced by the principal amount of Interim Certificates held by it, including accrued interest thereon, and such Interim Certificates shall be delivered by the Government to the County at the time of delivery of the Bond;

(m) The proceeds of the sale of Notes shall be deposited in the Construction Fund hereafter created;

(n) The Notes are hereby designated "qualified tax exempt obligations" as such term is defined and used in Section 265 of the Internal Revenue Code of 1986, as amended, and any lawful regulation promulgated thereunder.

Section 12. Disposition of Bond Proceeds. The proceeds of the sale of the Bond shall be applied as follows:

(a) an amount not to exceed \$15,000 to the extent needed, shall be used to pay interest on the Bond Anticipation Notes and the Bond for the period of construction of the Project and for six (6) months thereafter;

(b) an amount equal to the outstanding principal balance of the Bond Anticipation Notes shall be used to retire the Bond Anticipation Notes in full; and

(c) the balance of the proceeds of the sale of the Bond and any grant funds received by the County shall be deposited with a financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency, in a special fund known as the Waterworks System Construction Fund (the "Construction Fund") and shall be disbursed solely for the payment of the costs of constructing the Project, including costs of legal, administrative and clerical costs, expenses of issuance and sale of the Bond, and other necessary miscellaneous expenses or the retirement of the Bond Anticipation Notes. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such statutes, by a pledge of readily marketable securities having at all times a market value of not less than the amount in the Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any proceeds from the sale of the Bond remaining in the Construction Fund after the Project has been constructed, shall be used at the earliest practicable date for the prepayment of the Bond as herein provided. Any funds, including both loan and grant funds, provided by the Government for Project costs, but not needed to pay Project costs, will be considered to be Government grant funds and returned to the Government Finance Office. If the amount of unused

Government funds exceeds the Government grant amount, the excess will be considered to be Government loan funds and used to prepay the Bond as provided above.

Section 13. Resolution a Contract. The provisions of this resolution shall constitute a contract between the County and the owner of the Bond, and after the issuance of the Bond, no change, variation or alteration of any kind in the provisions of this resolution shall be made in any manner, except as provided in the following Section, until such time as the Bond and interest due thereon shall have been paid in full.

Section 14. Defeasance. So long as the Government is the owner of the Bond herein authorized, the County shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Bond herein authorized without immediately prepaying the Bond.

Section 15. Modification of Resolution. The terms, covenants and agreements set forth in this resolution may be modified or amended by resolution of the Governing Body, consented to in writing by the owner of the Bond.

Section 16. Reasonably Expected Economic Life. The "reasonably expected economic life" of the System after completion of the Project within the meaning of Sections 9-21-101, *et seq.*, Tennessee Code Annotated, is thirty-eight (38) years.

Section 17. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 18. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflict, hereby repealed and this resolution shall be in immediate effect from and after its adoption.

Adopted and approved this 3rd day of January, 2005.

LOUDON COUNTY, TENNESSEE

BY: George M. Miller
County Mayor

ATTEST:
Ruby D. Wampler
County Clerk

* * * * *

Pursuant to motion duly made and carried, the meeting adjourned.

George M. Miller
County Mayor

ATTEST:
Ruby D. Wampler
County Clerk



STATE OF TENNESSEE)

COUNTY OF LOUDON)

I, Riley D. Wampler, hereby certify that I am the duly qualified and acting County Clerk of Loudon County, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a regular meeting of the Governing Body of said County held on January 3, 2005; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original record relates to a \$370,000 Water Revenue and Tax Bond, Series 2005 of the County.

WITNESS my official signature and the seal of the County, this 5th day of Jan, 2005.



Riley D. Wampler
County Clerk

EXHIBIT A TO BOND RESOLUTION

EXHIBIT A TO BOND RESOLUTION

LOAN AGREEMENT

This Loan Agreement made and entered into as of _____ (the "Loan Agreement") by and between The Public Building Authority of Sevier County, Tennessee, a Tennessee public corporation of the State of Tennessee existing pursuant to Chapter 10 of Title 12 of Tennessee Code Annotated (the "Authority") and _____ (the "Borrower"):

WITNESSETH:

WHEREAS, in conjunction with the Tennessee Association of Utility Districts (the "TAUD"), the Authority has established its TAUD Public Projects Construction Financing Program (the "Program") in order to provide interim construction financing to governmental entities in connection with projects for which The United States Department of Agriculture, Rural Development, has provided a commitment for permanent financing;

WHEREAS, the Authority has determined that the Borrower has a project suitable for Program financing (the "Project"), and the Borrower wishes to obtain Program financing for the Project;

WHEREAS, the Authority has authorized the issuance, from time to time, of its Public Projects Construction Notes (TAUD Loan Program), Series A, to be dated their dates of delivery (the "Notes") pursuant to a Trust Indenture dated as of October 1, 2004, between the Authority and Regions Bank, an Alabama banking corporation, as trustee (the "Trustee"), and one or more Supplemental Trust Indentures between the Authority and the Trustee (collectively, the "Indenture"); and

WHEREAS, the Authority wishes to loan a portion of the proceeds of the Notes to the Borrower, and the Borrower wishes to borrow a portion of the proceeds of the Notes, all pursuant to this Loan Agreement;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Except as set forth below, all of the capitalized terms utilized in this Loan Agreement will have the same definitions and meaning as ascribed to them in the Indenture. Terms defined in the Indenture and applicable to all Borrowers under the Program shall, when used in this Loan Agreement, relate solely to _____, unless otherwise expressly stated.

"Adjusted Interest Rate" shall mean the interest rate per annum, adjusted from time to time on each Interest Payment Date, determined and calculated by the Authority as the rate sufficient to generate Loan Payments which – together with Loan Payments payable by other Borrowers in the Program and monies in Program funds and accounts – will pay the principal of and interest on the Outstanding Notes

on the following Interest Payment Date; provided however that the Adjusted Interest Rate shall not exceed the maximum rate of interest permitted by applicable law.

"Application" shall mean an application in substantially the form attached hereto as Exhibit A.

"Borrower" shall mean _____.

"Engineers" means the firm of consulting engineers employed by the Borrower in connection with the Project, as identified in the Application.

"Interest Rate" shall mean ____% per annum accruing from the date of this Loan Agreement to the first Interest Payment Date; and, thereafter, the Adjusted Interest Rate.

"Investment Earnings" shall mean interest earned on amounts on deposit in the Borrower's Account.

"Loan Agreement" shall mean this loan agreement.

"Loan Payment Date" shall mean the earlier of (1) the Business Day following the Borrower's receipt of Permanent Financing, or (2) _____.

"Permanent Financing" shall mean a bond issued by the Borrower and delivered to RD as purchaser, for the purpose of providing permanent financing for the Project.

"Project" shall mean the Project described in the Application.

"Requisition for Funds" shall mean the form attached hereto as Exhibit B to be utilized by the Borrower in obtaining disbursements of the Loan from the Trustee.

"Resolution" shall mean the resolution adopted by the governing body of the Borrower on _____, authorizing the Permanent Financing and the execution and delivery of this Loan Agreement and the Borrower Note.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Borrower as follows:

(a) The Authority is a public building authority established pursuant to Section 12-10-101 *et seq.*, Tennessee Code Annotated, has all necessary power and authority to enter into, and perform its obligations under, this Loan Agreement, and has duly authorized the execution and delivery of this Loan Agreement.

(b) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(c) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other person affecting the right of the Authority to execute or deliver this Loan Agreement or to comply with its obligations under this Loan Agreement. Neither the execution and delivery of this Loan Agreement by the Authority, nor compliance by the Authority with its obligations under this Loan Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(d) The authorization, execution and delivery of this Loan Agreement and all actions of the Authority with respect thereto, are in compliance with the Act and any regulations issued thereunder.

Section 2.2. Representations and Warranties of Borrower. The Borrower hereby represents and warrants for the benefit of the Authority as follows:

(a) The Borrower is a duly organized and validly existing Tennessee public corporation, with full power to own its properties, conduct its affairs, enter into this Loan Agreement and consummate the transactions contemplated hereby.

(b) The negotiation, execution and delivery of this Loan Agreement and the consummation of the transactions contemplated hereby have all been duly authorized by requisite action of the governing body of the Borrower.

(c) This Loan Agreement and the Borrower Note have been duly executed and delivered by the Borrower and are valid and binding obligations of the Borrower enforceable in accordance with their terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(d) There is no litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Borrower or its governing body to make payments under this Loan Agreement or to construct the Project, or to challenge in any manner the authority of the Borrower or its governing body to take any of the actions which have been taken in the authorization or delivery of this Loan Agreement or the construction of the Project, or in any way contesting or affecting the validity of this Loan Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Borrower of this Loan Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Borrower, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Loan Agreement.

(e) The authorization and delivery of this Loan Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Borrower or its governing body.

(f) The Resolution was duly enacted or adopted at a meeting of the governing body of the Borrower at which a quorum was present and acting throughout; such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and the meeting at which the Resolution was adopted was held in full compliance with the provisions of Sections 8-44-101 et seq., Tennessee Code Annotated.

(g) The Borrower has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project, and to enter into this Loan Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project, and has full right, power and authority to perform the acts and things as provided for in this Loan Agreement.

Section 2.3. Representations, Warranties and Covenants Concerning Permanent Financing.
The Borrower represents, warrants and covenants, as follows:

(a) The Borrower has (i) received all approvals of RD required in connection with the construction of the Project, and (ii) received a commitment for Permanent Financing of its Project with presently-obligated funds on or before the Maturity Date. The Borrower acknowledges and agrees that, in making this Loan, the Authority has relied upon the Borrower's receipt of a Permanent Financing commitment from RD.

(b) The Borrower is not in breach of or in default under any of the provisions of any instruments, proceedings or other documentation authorizing the issuance of or securing the payment of the Permanent Financing (the "Permanent Financing Documents").

(c) The Borrower's execution and delivery of the Permanent Financing Documents and its compliance with the provisions thereof, do not and will not in any material respect conflict with or constitute on the part of the Borrower a breach of or default under any contract, agreement, instrument, indenture or proceedings or any law, regulation, court order or consent decree to which the Borrower is now subject.

(d) The Permanent Financing Documents have been duly authorized, executed and delivered by the Borrower and are valid and binding obligations of the Borrower.

(e) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body known to be pending or threatened against the Borrower in any way contesting or affecting any authority for the issuance of or the validity of the Permanent Financing or the Permanent Financing Documents, or in any way adversely affecting the transactions contemplated thereby.

(f) The Borrower will comply in all respects with the terms and provisions of the Permanent Financing Documents.

(g) The Borrower will promptly remit, in accordance with the provisions of the Permanent Financing Documents, each disbursement from its Borrower's Account to the person or persons to whom payment is then due and owing.

(h) The Borrower will not unilaterally terminate, or enter into any agreement to terminate, any of the Permanent Financing Documents, and will give to the Authority and the Trustee prompt written notice, appropriately documented, of any material amendment to or modification of any of the Permanent Financing Documents.

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. The Authority has determined that the Project is eligible for Program financing.

Section 3.2. Principal Amount Of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be \$ _____ (the "Loan Amount"). Principal shall be paid in full on the Loan Payment Date. The principal amount of the Loan may be prepaid on any Interest Payment Date, upon 30 days prior written notice to the Authority and the Trustee, without penalty.

The Loan shall bear interest from the date of this Loan Agreement at the Interest Rate and shall accrue on the outstanding principal amount of the Loan. Interest on the Loan shall be payable solely on the Loan Payment Date, or upon earlier prepayment. The Loan shall be evidenced by the execution by the Borrower of the Borrower Note and delivery and assignment by the Authority thereof to the Trustee. The Borrower Note shall be in substantially the same form as that attached to this Loan Agreement as Exhibit C and made a part hereof.

By no later than 4:00 p.m., New York, New York time on or before the 14th calendar next preceding an Interest Payment Date (or if such day is not a Business Day, on the immediately succeeding Business Day), the Remarketing Agent shall determine the Adjusted Interest Rate to be in effect following such Interest Payment Date and shall give Immediate Notice to the Borrower, the Trustee and the Authority of the Adjusted Interest Rate.

The proceeds of the Loan shall be deposited in a Borrower's Account established for the Borrower. The Authority shall cause the Trustee to disburse amounts from such Borrower's Account to the Construction Fund identified by the Borrower in its Application, upon the submission by the Borrower of a Requisition for Funds in substantially the same form as Exhibit B hereto. The Authority does not make any warranty, either express or implied, that the moneys which will be paid into the Borrower's Account and which, under the provisions of this Agreement, will be available for payment of the cost of the Project, will be sufficient to pay all of the cost of the Project.

Payment of principal of the Loan shall be made at the principal corporate trust office of the Trustee on the Loan Payment Date, or upon earlier prepayment. In addition to the payment of principal of and interest on the Loan, the Borrower shall pay to the Authority all of the expenses and fees, including any share of investment earnings required to be rebated to the United States of America pursuant to the Code, arising from the making of the Loan by the Authority to the Borrower. The Borrower shall receive a credit against its payment of principal hereunder in an amount equal to (i) amounts remaining in its Borrower's Account on the date the Loan is paid in full and (ii) Investment Earnings.

Section 3.3. Rebate to Borrower. Within ninety (90) days following the payment in full of the Notes of the Authority issued under the Indenture, the Authority shall rebate or cause to be rebated to the Borrower a portion of the monies remaining in the accounts held by the Trustee under the Indenture after repayment of or provision for repayment of all necessary fees, costs and expenses of the Trustee and the Administrative Costs of the Program (the "Rebate Amount"), on the following basis: All interest paid on the Loans provided that if the remaining Rebate Amount is not sufficient to rebate all interest paid on all Loans, the rebate will be equal to the remaining Rebate Amount multiplied by a ratio whose numerator is the Borrower's Loan amount and whose denominator is the total Loan amounts on all Borrower's Accounts.

Section 3.4. Conversion to an RD Multiple Advance Loan. This Loan Agreement and the Borrower Note may be assigned to RD in the event that the Notes cannot be remarketed, or the Notes are required to be called for redemption, as described in the Indenture. In such event, the Authority or its designee will notify the Borrower that this Loan Agreement and the Borrower Note will be assigned to RD, and the effective date of such assignment, which notification shall be not less than 14 days prior to the assignment date. On or before such assignment date, RD will cause the full amount of the Borrower's Loan Payment (as of such assignment date) to be wired to the Borrower's construction fund, and the Borrower agrees that it will immediately wire such funds to the Trustee, as directed by the Authority. On such assignment date, and without further action of the Borrower, Authority or RD, the Authority shall be deemed to have assigned to RD, and RD shall be deemed to have assumed, the Authority's rights under the Borrower Note (and this Loan Agreement shall be of no further force or effect). Thereafter, the Borrower Note shall bear interest at the then-applicable RD multiple-advance rate in effect for the Borrower.

ARTICLE IV

ASSIGNMENT AND GENERAL COVENANTS OF THE BORROWER

Section 4.1. Repayment of Loan. The Borrower hereby agrees to pay the principal of and interest on the Loan, as and when due. The obligations of the Borrower to repay the Loan and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the Borrower, whether hereunder or otherwise, or as a result of the failure of the Borrower to complete the acquisition, construction, improving and equipping of the Project, the failure of RD to provide Permanent financing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement.

Section 4.2. Security for Repayment of Loan.

(a) The Loan and the Borrower Note shall be repaid from, and repayment of the Loan and the Borrower Note shall be secured by the proceeds of the Permanent Financing. In the event that Permanent Financing is not available on the Loan Payment Date, or insufficient to repay the Loan in full, this Loan and the Borrower Note shall be payable from and be secured by [a pledge of the Net Revenues of the System (as such terms are defined in the Resolution), subject to the pledge thereof in favor of any Prior Lien Bonds (as defined in the Resolution)][a pledge of the Net Revenues of the System (as such terms are defined in the Resolution), subject to the pledge thereof in favor of any Prior Lien Bonds (as defined in the Resolution), and in the event the Net Revenues are insufficient therefor, the Loan shall be payable from and secured by ad valorem taxes to be levied on all taxable property within the corporate limits of the Borrower. For the prompt payment of principal of and interest on the Loan and the Borrower Note, the full faith, credit and resources of the Borrower are hereby irrevocably pledged][ad valorem taxes to be levied on all taxable property within the corporate limits of the Borrower. For the prompt payment of principal of and interest on the Loan and the Borrower Note, the full faith, credit and resources of the Borrower are hereby irrevocably pledged]. [For the further protection of the holder of the Loan and the Borrower Note, a statutory lien in the nature of a mortgage lien upon the System (as defined in the Resolution) is granted and created by Sections 7-82-101, *et seq.*, Tennessee Code Annotated, which said statutory mortgage lien is hereby recognized as valid and binding upon the Borrower, subject to any

Prior Lien Bonds (as defined the Resolution), including any extensions and improvements thereto, and the System shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on the Borrower Note and the Loan].

(b) The Borrower does hereby irrevocably assign and pledge to the Authority and its successors or assigns, for the benefit of the owners of all Notes issued under the Indenture, all right, title and interest of the Borrower in and to the proceeds of the Permanent Financing and all monies to be received from RD, as applicable, pursuant to RD's expressed intention to provide Permanent Financing for the Project. The Borrower acknowledges and agrees that the Authority pursuant to the Indenture has assigned and pledged to the Trustee for the benefit and security of the owners of the Notes all of its rights under the provisions of this Loan Agreement and the Borrower Note. Accordingly, this Loan Agreement shall not be terminated, modified or changed by the Authority or the Borrower except with the consent of the Trustee in the manner and subject to the conditions permitted by the terms and provisions of the Indenture.

Section 4.3. Further Assurance. At any time and all times the Borrower shall, so far as it maybe authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Borrower may hereafter become bound to pledge or assign.

Section 4.4. Completion of Project. The Borrower hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Borrower so that the Permanent Financing can be delivered on or prior to the Maturity Date.

Section 4.5. Tax Covenant. The Borrower shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Borrower shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the Project and any system of which it is a part, or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Borrower will not acquire or pledge any obligations that would cause the Bond to be an "arbitrage bond" within the meaning of the Code.

Section 4.6. Accounts and Reports. The Borrower shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Project, which shall at all reasonable times be subject to the inspection of the Authority.

Section 4.7. General. The Borrower shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Borrower under the provisions of any agreements regarding the Permanent Financing and this Loan Agreement in accordance with the terms of such provisions.

Section 4.8. Designation of Authorized Officers. The Borrower hereby designates _____ as its Authorized Officers for purposes of this Loan Agreement and the Indenture.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 5.1. Events of Default Defined. The following will be "Events of Default" under this Loan Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Loan Agreement, any one or more of the following events:

(a) Failure by the Borrower to pay any Loan Payments at the times specified herein including the principal and interest due on the Borrower Note.

(b) Failure by the Borrower to observe or perform any covenant, condition or agreement 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 will have been given to the Borrower by the Authority unless the Authority agrees 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 applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until such failure is corrected.

(c) The dissolution or liquidation of the Borrower, or the voluntary initiation by the Borrower of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Borrower into an agreement of composition with creditors or the failure generally by the Borrower to pay its debts as they become due.

Section 5.2. Remedies on Default. Whenever any Event of Default referred to in Section 5.1 has occurred and is continuing, the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(a) Declare all payments due hereunder to be immediately due and payable.

(b) Exercise all the rights and remedies of the Authority set forth in the Act.

(c) Take whatever action at law or in equity appear necessary or desirable to enforce its rights under this Loan Agreement.

Section 5.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of Judicial proceedings to enforce the rights of the Authority under this Loan Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of any system of which the Project is a part and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 5.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or

power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 5.5. Consent to Powers of Authority Under Act and this Loan Agreement. The Borrower hereby acknowledges to the Authority its understanding of the provisions of the Act and this Loan Agreement, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Borrower hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Borrower shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

Section 5.6. Non-Waivers by Authority. No failure by Authority or by any assignee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy consequent upon a breach thereof, and no acceptance of any payment hereunder, in full or in part, during the continuance of such breach, shall constitute waiver of such breach or of such term. No waiver of any breach shall affect or alter this Agreement or constitute a waiver of a then existing or subsequent breach.

Section 5.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto is in default under any of the provisions hereof and the nondefaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

ARTICLE VI

MISCELLANEOUS PROVISIONS

Section 6.1. Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Loan Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Loan Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 6.2. Effective Date. This Loan Agreement shall become effective as of the date first set forth herein above and shall continue to full force and effect until the date the obligations of the Borrower pursuant to the provisions of this Loan Agreement have been fully satisfied.

Section 6.3. Binding Effect. This Loan Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal Authority, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Loan Agreement shall not be revocable by either of the parties, nor assignable by either parties without the written consent of the other party.

Section 6.4. Severability. In the event that any provision of this Loan Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 6.5. Execution in Counterparts. This Loan Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 6.6. Applicable Law. This Loan Agreement will be governed by and construed in accordance with the laws of the State of Tennessee.

Section 6.7. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

Section 6.8. Bank Qualification Allocation. The Authority and the Borrower agree that, for purposes of Internal Revenue Code Section 265(b)(3)(C)(iii), \$ _____ of the Notes shall be allocated to the Borrower.

Section 6.9. Notices. Any notices required hereunder shall be delivered in the manner and to the addresses set forth in the Indenture; provided that the Borrower's address shall be that listed on its Application.

Section 6.10. Discharge of Borrower's Obligations under the Loan Agreement. If, prior to an Interest Payment Date, the Borrower (a) deposits sufficient funds with the Trustee to pay the principal of and interest due hereunder to such Interest Payment Date (or such lesser amount as shall be identified by the Remarketing Agent); and (b) informs the Remarketing Agent and the Trustee of its intention to prepay its obligations hereunder on such Interest Payment Date; and if the Borrower shall also pay or cause to be paid all other sums payable hereunder by the Borrower with respect to this Loan Agreement, or make adequate provision therefor, then and in that case the indebtedness evidenced by this Loan Agreement and the Borrower Note shall be discharged and satisfied and all covenants, agreements and obligations of the Borrower hereunder shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

Section 6.11. No Liability of Authority's and Borrower's Officers. No recourse under or upon any obligation, covenant or agreement contained in this Agreement shall be had against any incorporator, member, director or officer, as such, past, present or future, of the Authority or the Borrower, either directly or through the Authority or the Borrower. Any and all personal liability of every nature, whether at common law or in equity, or by statute or by constitution or otherwise, of any such incorporator, member, director or officer is hereby expressly waived and released by the Borrower and the Authority against the other's incorporators, members, directors or officers as a condition of and consideration for the execution of this Agreement.

(signature page follows)

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the day and year above written.

THE PUBLIC BUILDING AUTHORITY OF
SEVIER COUNTY, TENNESSEE

By: _____

Title: _____

[BORROWER]

By: _____

Title: _____

EXHIBIT A

THE PUBLIC BUILDING AUTHORITY OF SEVIER COUNTY, TENNESSEE
PUBLIC PROJECTS INTERIM CONSTRUCTION FINANCING

APPLICATION FOR INTERIM FINANCING FOR RD LOANS

Governmental Entity:

Name: _____
Address: _____

Contact Person: _____
Telephone Number: _____ Fax Number: _____
E-mail Address: _____

RD District Loan Officer: _____

Bond Counsel: _____

Date of RD Letter of Conditions: _____

Amount of Interim Financing Requested: _____

Estimated Date of Construction Commencement (RD Pre-Closing): _____

Estimated Date of Construction Completion: _____

Estimated Date of RD Final Closing: _____

Depository Bank for Construction Account:

Name: _____

Address: _____

Contact Person: _____

Telephone Number: _____ Fax Number: _____

Wire Instructions (if known): _____

Please return application and RD Letter of Conditions to:

Tennessee Association of Utility Districts

P.O. Box 2529

Murfreesboro, Tennessee 37133-2529

Attention: John Hall

Facsimile: (615) _____

EXHIBIT B
FORM OF REQUISITION

Request No. _____

Dated: _____

To: Regions Bank
Corporate Trust Administration
Mail Drop 10AT60
38 Fountain Square Plaza
Cincinnati, Ohio 45263
Fax Number: (513) 744-6785

From: _____ ("Borrower")

Contact Person: _____

Address: _____

Ladies and Gentlemen:

The captioned Borrower has entered into a Loan Agreement with The Public Building Authority of Sevier County, Tennessee (the "Authority") for the acquisition and construction of facilities described in the Loan Agreement as the "Project."

Pursuant to the Loan Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request totaling \$ _____ and is set forth in Exhibit A attached hereto.

Respectfully submitted,

By _____

Title _____

Approved by Rural Development:

By: _____

Title: _____

EXHIBIT C

UNITED STATES OF AMERICA
STATE OF TENNESSEE

\$ _____

No. _____

For value received, _____ (the "Borrower") hereby acknowledges itself indebted to and promises to pay to the order of THE PUBLIC BUILDING AUTHORITY OF SEVIER COUNTY, TENNESSEE the principal sum of \$ _____ on the Loan Payment Date, with interest thereon payable on the Loan Payment Date (or prior prepayment), accruing from the date hereof at the Interest Rate. The Borrower acknowledges that the Interest Rate on this Note, from the date hereof to the first Interest Payment Date, is _____%, and the rate will thereafter be adjusted on each Interest Payment Date; provided, however, that upon the assignment of this Note to the United States Department of Agriculture, Rural Development ("RD"), this Note shall immediately begin accruing interest at the interim financing loan rate then in effect for the Borrower, as published by RD. Capitalized terms not otherwise defined herein shall have the meaning ascribed in that certain Loan Agreement between the Borrower and the Payee, dated as of the date hereof. This Note may be prepaid without penalty on any Interest Payment Date, provided that, until this Note has been assigned to RD, the Borrower gives 30 days written notice thereof to the Authority and the Trustee.

This Note is issued by the Borrower for the purpose of paying part of the cost of constructing waterworks system improvements and extensions for the Borrower under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections _____, et seq., Tennessee Code Annotated, and pursuant to a resolution duly adopted by the _____ of the Borrower on the _____ day of _____, 2004 (the "Resolution") in anticipation of the proceeds of a \$ _____ (the "Bond") to be issued by the Borrower under authority of Sections _____ et seq., Tennessee Code Annotated, and other applicable provisions of Tennessee law, which proceeds shall be applied to the repayment hereof. The Borrower acknowledges that the proceeds of this Note will be disbursed in accordance with the Loan Agreement, and that the proceeds of this Note will be subject to all of the conditions set forth in the Loan Agreement.

In addition to the proceeds of the Bond, this Note is payable solely from and secured by _____.

Both principal hereof and interest hereon are payable in lawful money of the United States of America by electronic fund transfer or by check or draft mailed to the registered owner at the address shown on the Borrower's registration book. Upon final payment, this Note shall be submitted to the Borrower for cancellation. This Note is transferable by the registered holder hereof, or by its attorney duly authorized in writing, on the registration books of the Borrower, at the office of the _____ of the Borrower, as registrar, and the notation of such transfer and registration by the registrar on the registration books. All assignees shall take this certificate subject to such condition. The Borrower may treat the registered owner as the absolute owner hereof for all purposes, and shall not be affected by any notice to the contrary whether or not any payments due on this certificate shall be overdue.

It is hereby certified and recited that all acts, conditions and things required by the constitution and by the laws of the State of Tennessee to exist, or to be done precedent to and in the issuance of this

obligation, do exist, and have been properly done, happened, and been performed in regular and due form and time as required by law; and that provision has been made to pay the principal and interest thereon as same falls due.

This Note and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Note during the period the Note is held or beneficially owned by any organization or entity, other than a general partnership or sole proprietorship, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Note in the Tennessee franchise tax base of any organization or entity, other than a general partnership or sole proprietorship, doing business in the State of Tennessee.

IN WITNESS WHEREOF, _____ has caused this Note to be executed by the _____ of the Borrower and attested by the _____ of the Borrower on the date first set forth above.

By: _____

Title: _____

ATTESTED:

By: _____

Title: _____

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Note of _____, and does hereby irrevocably appoint _____ attorney to transfer the said Certificate on the books of the _____ of _____, as Registrar, with full power of substitution in the premises.

Dated: _____

WITNESS:

(No writing in this blank except by the Registrar)

Date of Registration	In Whose Name Registered	Signature of Registrar
	The Public Building Authority of Sevier County, Tennessee Sevierville, Tennessee	

RESOLUTION NO. 010305 F

WHEREAS, Loudon County is partners with the City of Loudon and have entered into an Interlocal Agreement as set forth in Loudon County Commission No. 050100-C, to develop the Highland Business Park; and

WHEREAS, Myron C. Ely and wife, Jayne L. Ely, by deed dated April 8, 1996, conveyed to Sam Browder, Steve H. Kirkham, and M. Jerry Duncan (Emory River grantees), a tract bordering Highway 72 near the I-75/Highway 72 interchange, a condition of said conveyance being that the grantees commit to dedicate a 25 foot described tract to Loudon County for public right-of-way purposes, through the Emory River property to the Highland Business Park property, if requested to do so by Loudon County; and

WHEREAS, it is for the benefit of the partnership between Loudon County and the City of Loudon to benefit the Highland Business Park, that title to the aforesaid right-of-way be obtained, and the City of Loudon has requested that Loudon County make such a request of the Emory River partners.

NOW, THEREFORE, BE IT RESOLVED by the Loudon County Commission, in regular session assembled this 3rd day of January, 2005, that it hereby authorizes the County Mayor to make the request to the Emory River partners for the 25 foot right-of-way in accordance with the provisions of Deed Book 225, Page 435.

This resolution shall become effective immediately, the public welfare requiring it.


COUNTY CHAIRMAN

ACCEPTED:

Leann Miller
COUNTY MAYOR

ATTEST:


COUNTY CLERK