

This is to certify that these minutes were approved by the Hamblen County  
Legislative Body on

December 20, 2004

Joe Spoohe  
Joe Spoohe, Chairman

Linda Wilder  
Linda Wilder, Hamblen County Clerk

BE IT REMEMBERED that the Legislative Body Session for Hamblen County, Tennessee met at its regular monthly meeting on November 18, 2004 at 5:00 p.m. in the Hamblen County Courthouse with the Honorable Joe Spoone presiding.

The Legislative Body Session was opened by Sheriff Otto Purkey.

Invocation was given by Commissioner Dennis Alvis.

The Pledge of Allegiance was led by Commissioner Nancy Phillips.

Upon roll call the following members were present:

Dennis Alvis	Herbert Harville
Larry Baker	Tom Lowe
Maudie Briggs	Linda Noe
Ricky Bruce	Edwin Osborne
Guy Collins	Nancy Phillips
Doyle Fullington	Bobby Reinhardt
Donald Gray	Joe Spoone

**MINUTES APPROVAL**

Motion by Guy Collins, seconded by Larry Baker to approve the minutes of the previous meeting.

Voting for		Voting against
Dennis Alvis	Herbert Harville	
Larry Baker	Tom Lowe	
Maudie Briggs	Linda Noe	
Ricky Bruce	Edwin Osborne	
Guy Collins	Nancy Phillips	
Doyle Fullington	Bobby Reinhardt	
Donald Gray	Joe Spoone	

**NOTARIES AND BONDSMEN**

Motion by Larry Baker, seconded by Guy Collins to approve the following notaries and their bondsmen.

Voting for: all	Voting against: none
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# CERTIFICATE OF ELECTION OF NOTARIES PUBLIC

AS CLERK OF THE COUNTY OF Hamblen, TENNESSEE,

I HEREBY CERTIFY TO THE SECRETARY OF STATE THAT THE FOLLOWING WERE ELECTED TO THE OFFICE OF NOTARY PUBLIC DURING THE November, 20 04 MEETING OF THE GOVERNING BODY:

NAME (PRINT OR TYPE)	HOME ADDRESS AND PHONE (INCLUDE ZIP AND AREA CODES)	BUSINESS ADDRESS AND PHONE (INCLUDE ZIP AND AREA CODES)
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Jane D. Swinson Strate Insurance	820 Grandview St. Morristown, TN 37814 423-581-2110	5436 Jeffrey Lane Morristown, TN 37813 423-587-2942
Rhonda E. Holt Strate Insurance	887 Berry Rd. Bulls Gap, TN 37711 423-235-7982	807 W. First North St. Morristown, TN 37814 423-587-1131
Amy Greene Bible Insurance	2308 Fern Circle Morristown, TN 37814 423-581-6124	225 W. First North St. Morristown, TN 37814 423-317-3236
Yvette Huckaby F. Braxton Terry Denise Stapleton	531 Snodderly Rd. New Market, TN 37820 865-484-1554	PO Box 724 Morristown, TN 37815-0724 423-586-5800
Paul LeBel Louis M. Jarvis Christine Wu	1306 Forest Dr. Morristown, TN 37814 423-581-7697	720 W. First North St. Morristown, TN 37814 423-586-0655
Crissy Lemka Gardner Ins. Agency Western Surety	2285 Belmont Drive Morristown, TN 37814 423-318-7141	1751 W. Morris Blvd., Ste. 4 Morristown, TN 37813 423-317-6560
James Grant Greene Gardner Insurance	908 Simpson Rd. Whitesburg, TN 37891 423-235-6445	908 Simpson Rd. Whitesburg, TN 37891 423-235-6445
Colleen Elia State Farm Insurance	2175 Essex Lane Morristown, TN 37814 423-581-6163	6187 W. Andrew Johnson Hwy. Talbott, TN 37877 423-587-2471
Shirley A. Skelton Southern States Ins.	7042 St. Clair Rd. Whitesburg, TN 37891 423-586-3418	1635 Doyal Drive PO Box 685 Morristown, TN 37815-0685 423-586-1941
Gina Greene Tri-County Collection Agency	346 S. Bellwood Rd. Morristown, TN 37813 423-586-3056	221 E. Main St. Morristown, TN 37814 423-586-7613
Vivian Gayle Baldwin Risk Management	1554 Boardwalk Circle Morristown, TN 37814 423-587-4991	2329 East Morris Blvd. Morristown, TN 37813 423-585-4538
Phyllis A. Noe McInturff, Milligan & Brooks Insurance	4265 Peace Dr. Morristown, TN 37814 423-586-9673	4005 E. Morris Blvd. Morristown, TN 37813 423-317-9611
Adren S. Greene Krystal Keller Lorrie Dalton	333 Lochmere Drive Morristown, TN 37814 423-231-1400	415 N. Fairmont Ave. Morristown, TN 37814 423-581-9300
Sherry Price Strate Insurance	3475 Springcreek Dr. Morristown, TN 37814 423-586-1307	729 W. First North St. Morristown, TN 37814 423-581-3131

SIGNATURE

CLERK OF THE COUNTY OF \_\_\_\_\_, TENNESSEE

(SEAL)

DATE

**REZONING REQUEST**

**RESOLUTION**

**A RESOLUTION TO AMEND THE ZONING MAP OF  
HAMBLEN COUNTY, TENNESSEE BY REZONING  
PARCEL 015.01 AND 015.14, TAX MAP 013, DISTRICT 3  
FROM I-1 TO A-1**

*WHEREAS, The Hamblen County Planning Commission heard the request to amend the Hamblen County Zoning Map from I-1 to A-1 on Tax Map 013, Parcels 015.01 and 015.14, located outside the Urban Growth Area and owned by Mr Vernon Jones;*

*WHEREAS, The Hamblen County Planning Commission does hereby recommend for the rezoning request;*

*NOW, THEREFORE, BE IT RESOLVED that the Hamblen County Board of Commissioners does hereby approve the rezoning and map amendment from I-1 to A-1 according to the attached map.*

Motion was made by Guy Collins

Seconded by Herbert Harville

Voting For:

ALL

Voting Against:

NONE

ATTEST:

Linda Wilder  
Hamblen County Clerk

AUTHENTICATED:

Janice W. Anderson  
Hamblen County Mayor

DATE:

November 19, 2004

**ROAD APPROVAL**

Motion by Herbert Harville, seconded by Tom Lowe to accept Cross Creek Drive into the Hamblen County Road System.

Voting for: all                                  Voting against: none

Motion by Herbert Harville, seconded by Larry Baker to add to the agenda the discussion of purchasing a patch for the Bridge Software.

**BRIDGE SOFTWARE PATCH-TWO SETS OF NUMBERS**

Motion by Linda Noe, seconded by Nancy Phillips to direct the finance office to utilize the patch for Bridge Software starting with the 2004 fiscal year so that the county only has one set of accounting numbers.

Voting for	Voting against	Passing
Dennis Alvis	Ricky Bruce	Joe Spoone
Larry Baker	Doyle Fullington	
Maudie Briggs	Donald Gray	
Guy Collins	Herbert Harville	
Tom Lowe	Bobby Reinhardt	
Linda Noe		
Edwin Osborne		
Nancy Phillips		

**INITIAL RESOLUTION FOR BONDS FOR MORRISTOWN HAMBLLEN HOSPITAL**

Motion by Edwin Osborne, seconded by Maudie Briggs to approve the following initial resolution to borrow an amount not to exceed \$19,000,000. for Morristown Hamblen Hospital.

Voting for	Voting against
Dennis Alvis	Larry Baker
Maudie Briggs	Linda Noe (due to the 10 day rule)
Ricky Bruce	Bobby Reinhardt
Guy Collins	
Doyle Fullington	
Donald Gray	
Herbert Harville	
Tom Lowe	
Edwin Osborne	
Nancy Phillips	
Joe Spoone	

The Board of County Commissioners of Hamblen County, Tennessee, met in regular session on November 18, 2004 at 5:00 p.m. at the Hamblen County Courthouse, Morristown, Tennessee, with Joseph Spoone, County Commission Chairman, presiding.

The following Commissioners were present:

Dennis Alvis, Larry Baker, Maudie Briggs, John Bruce, Guy Collins, Doyle Fullington, Donald Gray, Herbert Harville, Tom Lowe, Linda Noe, Edwin Osborne, Nancy Phillips, and Bobby Reinhardt.

The following Commissioners were absent:

None.

There were also present the Honorable David Purkey, County Mayor, and Linda Wilder, County Clerk.

After the meeting was duly called to order, the following resolution was introduced Edwin Osborne, seconded by Maudie Briggs, and after due deliberation, was adopted by the following vote:

AYE:

Dennis Alvis, Maudie Briggs, John Bruce, Guy Collins, Doyle Fullington, Donald Gray, Herbert Harville, Tom Lowe, Edwin Osborne, Nancy Phillips, and Joseph Spoone.

NAY:

Larry Baker, Linda Noe, and Bobby Reinhardt.

**INITIAL RESOLUTION AUTHORIZING HAMBLEN COUNTY, TENNESSEE, TO BORROW FUNDS IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED NINETEEN MILLION DOLLARS (\$19,000,000) THROUGH THE ISSUANCE OF ITS GENERAL OBLIGATION BONDS AND/OR OBTAINING A LOAN FROM A PUBLIC BUILDING AUTHORITY IN TENNESSEE, UNDER ONE OR MORE LOAN AGREEMENTS BETWEEN THE COUNTY AND THE AUTHORITY**

WHEREAS, the Board of County Commissioners of Hamblen County, Tennessee (the "County") has determined that it is necessary and advisable to borrow funds and incur indebtedness for certain public improvements as more fully set forth herein; and

WHEREAS, pursuant to Section 9-21-205 and Section 12-10-115(a)(2), Tennessee Code Annotated, as amended, prior to issuing bonds and/or obtaining of loans for said purposes, it is necessary to adopt an initial resolution authorizing said bonds and/or loans.

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

1. For the purpose of providing funds for the (i) acquisition of hospital facilities and hospital equipment in and for the County (the "Project") and (ii) payment of legal, fiscal, administrative, architectural and engineering costs incident to the Project and incident to the indebtedness described herein, the County is hereby authorized to borrow money and incur indebtedness in an aggregate principal amount of not to exceed \$19,000,000 through the issuance of general obligation bonds and/or by obtaining one or more loans from and entering into one or more loan agreements with a public building authority in Tennessee, or a combination thereof. The indebtedness incurred pursuant to the issuance of the general obligation bonds and/or the issuance of each loan agreement, or combination thereof, shall bear interest at a rate or rates not to exceed the maximum rate permitted by law and shall be payable from *ad valorem* taxes to be levied on all taxable property within the corporate limits of the County.

2. The County Clerk of the County is hereby authorized and directed to cause the foregoing resolution to be published in full in a newspaper having a general circulation in the County for one issue of said paper followed by the following notice:

**NOTICE**

The foregoing resolution has been adopted. Unless within twenty (20) days from the date of publication hereof a petition signed by at least ten percent (10%) of the registered voters of the County shall have been filed with the County Clerk of the County protesting the issuance of the general obligation bonds and/or the entering into loans under the loan agreements, such bonds will be issued and/or such loan agreements will be executed and delivered as proposed.

Linda Wilder, County Clerk

3. This Resolution shall be in immediate effect from and after its adoption, the public welfare requiring it.

Adopted and approved this 18<sup>th</sup> day of November, 2004.

/s/ Joseph Spoons  
Chairman

/s/ David Purkey  
County Mayor

ATTEST:

/s/ Linda Wilder  
County Clerk

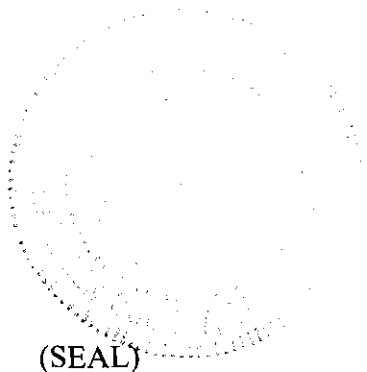


STATE OF TENNESSEE )

COUNTY OF HAMBLLEN )

I, Linda Wilder, certify that I am the duly qualified and acting County Clerk of Hamblen 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 the County held on November 18, 2004; 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 an initial resolution for not to exceed \$19,000,000 in indebtedness of the County.

WITNESS my official signature and seal of said County on this the 18<sup>th</sup> day of November, 2004.



*Linda Wilder*  
\_\_\_\_\_  
County Clerk

**RESOLUTION AUTHORIZING LOANS FOR MORRISTOWN HAMBLEN HOSPITAL**

Motion by Edwin Osborne, seconded by Dennis Alvis to approve the following resolution.

Voting for  
Dennis Alvis  
Maudie Briggs  
Ricky Bruce  
Guy Collins  
Doyle Fullington  
Donald Gray  
Herbert Harville  
Tom Lowe  
Edwin Osborne  
Joe Spoone

Voting against  
Larry Baker  
Linda Noe (due to the 10 day rule)  
Nancy Phillips  
Bobby Reinhardt

The Board of County Commissioners of Hamblen County, Tennessee, met in regular session on November 18, 2004 at 5:00 p.m. at the Hamblen County Courthouse, Morristown, Tennessee, with Joseph Spoone, County Commission Chairman, presiding.

The following Commissioners were present:

Dennis Alvis, Larry Baker, Maudie Briggs, John Bruce, Guy Collins, Doyle Fullington, Donald Gray, Herbert Harville, Tom Lowe, Linda Noe, Edwin Osborne, Nancy Phillips, and Bobby Reinhardt.

The following Commissioners were absent:

None.

There were also present the Honorable David Purkey, County Mayor, and Linda Wilder, County Clerk.

After the meeting was duly called to order, the following resolution authorizing various swap agreements and the attached Exhibits A and B representing the requests to and report from the State Director of Local Finance were introduced by Edwin Osborne, seconded by Dennis Alvis, and after due deliberation, was adopted by the following vote:

AYE:

Dennis Alvis, Maudie Briggs, John Bruce, Guy Collins, Doyle Fullington, Donald Gray, Herbert Harville, Tom Lowe, Edwin Osborne, and Joseph Spoone.

NAY:

Larry Baker, Linda Noe, Nancy Phillips, and Bobby Reinhardt.

A RESOLUTION AUTHORIZING ONE OR MORE LOANS UNDER ONE OR MORE LOAN AGREEMENTS BETWEEN HAMBLLEN COUNTY, TENNESSEE AND A TENNESSEE PUBLIC BUILDING AUTHORITY IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED NINETEEN MILLION DOLLARS (\$19,000,000) AND EXECUTION AND DELIVERY OF ONE OR MORE LOAN AGREEMENTS AND OTHER DOCUMENTS RELATING TO SAID BORROWING; PROVIDING FOR THE APPLICATION OF THE PROCEEDS OF SAID BORROWING AND THE PAYMENT OF THE COUNTY'S OBLIGATIONS UNDER THE LOAN AGREEMENTS; CONSENTING TO THE ASSIGNMENT OF THE COUNTY'S OBLIGATIONS UNDER THE LOAN AGREEMENTS; AND APPROVING ONE OR MORE SWAP AGREEMENTS WITH RESPECT TO SUCH LOAN AGREEMENTS.

WHEREAS, counties in the State of Tennessee are authorized to finance and to refinance certain public works projects by the issuance of bonds, notes or other obligations; and

WHEREAS, it is hereby determined by the Board of County Commissioners of Hamblen County, Tennessee (the "County") to be in the best interest of the County to (i) finance the acquisition of hospital facilities and hospital equipment in and for the County from Morristown Hamblen Hospital Association (the "Hospital") and the payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing (collectively, the "Projects"); (ii) refinance all or a portion of the County's outstanding Hospital Revenue and Tax Refunding Bonds, Series 2002, dated March 12, 2002 (the "Series 2002 Bonds"); and, (iii) finance the payment of costs of issuance and sale of the Bonds (as defined below) and the Loan Agreement (as defined below); and

WHEREAS, it has been determined to be in the best interest of the County to finance the Projects and to refinance the Series 2002 Bonds through a program known as the Tennessee Local Government Alternative Loan Program (TN-LOANS<sup>SM</sup>) underwritten by Morgan Keegan & Company, Inc. (the "Underwriter"), through the issuance by a Tennessee Public Building Authority established pursuant to the provisions of Tennessee Code Annotated Sections 12-10-

101 et seq., as amended, (the "Act") (the "Authority") of its Local Government Public Improvement Bonds (the "Bonds") in one or more series (each, a "Series") in the aggregate principal amount of not to exceed \$19,000,000 and the loan of the proceeds thereof to the County pursuant to one or more loan agreements between the Authority and the County (each a "Loan Agreement"); and

WHEREAS, an initial resolution proposing one or more loans from the Authority in a principal amount not to exceed \$19,000,000, the proceeds of which shall be used for the Projects and to refinance the Series 2002 Bonds, has been adopted and together with the notice required by Section 12-10-115 and Section 9-21-206, Tennessee Code Annotated, as amended, will be published as required by law; and

WHEREAS, a plan of refunding has been submitted to the State Director of Local Finance with respect to the Series 2002 Bonds and he has reported thereon, as required by Section 12-10-116(b), Tennessee Code Annotated, as amended; and

WHEREAS, the County shall pledge a tax authorized by Section 12-10-115, Tennessee Code Annotated, as amended, to be levied annually to the repayment of the amounts due under each Loan Agreement authorized herein; and

WHEREAS, the Bonds are to be secured by and contain such terms and provisions as are set forth in an Indenture of Trust, as supplemented (the "Indenture") entered into between the Authority and Regions Bank or such other trustee designated by the Authority; and

WHEREAS, in order to reduce its exposure to changes in interest rates, the Authority upon request of the County, may enter into a Swap Agreement (as defined in this Resolution) with respect to all or a portion of the Bonds relating to the Loan Agreements authorized hereunder, resulting in payment of a fixed rate to a Swap Counterparty (as defined in the form of

the Loan Agreement authorized hereunder) and a variable rate to be paid by the Swap Counterparty; and

WHEREAS, the County and the Authority have submitted a request for a report of compliance with respect to the proposed Swap Agreements identified above to the State Director of Local Finance as required by the Guidelines and by Tennessee Code Annotated, Section 12-10-111 and Section 12-10-116, which report has been filed with the County Clerk and shall be included in the record of this meeting as Exhibit A attached hereto; and

WHEREAS, the State Director has issued his report of compliance with respect to the proposed Swap Agreements in connection with the Bonds relating to the Loan Agreement authorized hereunder, which report has been filed with the County Clerk and shall be included in the record of this meeting as Exhibit B attached hereto; and

WHEREAS, there has been presented to this meeting the form of the Loan Agreement, which appears to be in appropriate form and is an appropriate instrument to be executed and delivered for the purposes intended, and the form of the following documents: (1) International Swap Dealers Association, Inc. ("ISDA") Master Agreement; (2) Schedule to Master Agreement; (3) Confirmation for a rate swap transaction; (4) ISDA Credit Support Annex; (5) Financial Guaranty Insurance Policy for Swap Agreement; and (6) Financial Guaranty Insurance Policy for Swap Agreement (Counterparty Payment Policy); and

WHEREAS, for the purposes of authorizing one or more loans from an Authority, the execution and delivery of one or more Loan Agreements by the County, the pledging of the County's full faith and credit for the payment of its obligations under each Loan Agreement, approving the assignment of such pledge to secure each related Series of Bonds, and authorizing the execution of such documents and certificates as shall be necessary to consummate the sale

and delivery of each Series of Bonds, and approving the terms and conditions of one or more Swap Agreements with respect to the Bonds authorized herein subject to compliance with the Guidelines and authorizing one or more Swap Agreements, the Board of County Commissioners of the County adopts this Resolution.

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

Section 1. Approval of Loans. (a) For the purpose of providing funds to finance the costs of the Projects, to refinance the Series 2002 Bonds and to pay costs incident to the issuance and sale of each Series of Bonds and each related Loan Agreement, and make and receive the loans herein authorized, there is hereby authorized one or more loans (each, a "Loan") from the Authority in an aggregate principal amount not to exceed \$19,000,000.

(b) One or more Series of Bonds may be issued initially either as bonds bearing interest as an auction rate security ("ARS") or variable rate bonds with the interest rate established either daily, weekly or short-term period (the "Daily Rate", "Weekly Rate" and "Short-Term Period", respectively, as defined in the Loan Agreement) at the then market rate for obligations with similar credit quality, all as provided in the Indenture and each Loan Agreement. The County Mayor is hereby authorized to enter into one or more Loan Agreements for all or any portion of the total loan amount authorized hereunder, bearing interest at a variable rate of interest, including ARS, as he shall determine is in furtherance of the restructuring objectives of the County.

(c) The County shall make payments of interest in the amounts and on the dates as set forth in each Loan Agreement and the Indenture, at a rate or rates not in excess of the maximum rate of interest permitted by applicable law. Each Loan shall be payable as to principal over a

period not to exceed thirty-five (35) years from the date of execution of each Loan Agreement and shall be subject to prepayment as set forth in the Loan Agreement. The final dates, original interest rate mode (as set forth above), and amortization of principal amounts of each Loan may be established by the County Mayor as shall be determined by the County Mayor to be in the best interests of the County, taking into account amounts available to pay debt service, in accordance with the terms of this resolution and each Loan Agreement.

Section 2. Interest Rate Conversion. At any time while any Loan remains outstanding, each Loan and the Series of Bonds issued in connection therewith, may, in whole or in part, to the extent permitted by applicable law, be converted from one Rate Period (as defined in the Loan Agreement) to the other interest Rate Periods permitted and as provided in each related Loan Agreement and in the Indenture (which conversion may include such put features relative to any Series of the Bonds as the Indenture may permit) at the direction of the County Mayor and no further action shall be required by the Board of Commissioners.

Section 3. Approval of Loan Agreements. The form, terms and provisions of each Loan Agreement which have been presented at this meeting are hereby approved and the County Mayor and County Clerk are hereby authorized, empowered and directed to execute and deliver each Loan Agreement in the name and on behalf of the County. Each Loan Agreement is to be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the County Mayor, the execution thereof by the County Mayor and County Clerk to constitute conclusive evidence of their approval of any and all changes or revisions therein. From and after the execution and delivery of each Loan Agreement, the County Mayor and the County Clerk are hereby authorized, empowered and directed to do all



such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of each Loan Agreement as executed.

To the extent any Loan Agreement can be designated as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), it shall be so designated in the Loan Agreement.

Section 4. Pledge of Taxes. The County hereby covenants and agrees, through its governing body, to annually levy and collect a tax upon all taxable property within the County, in addition to all other taxes authorized by law, sufficient to pay when due the annual amounts payable by the County under each Loan Agreement as and when they become due and payable and to pay any expenses of maintaining and operating the Projects required to be paid by the County under the terms of each Loan Agreement and, for such purposes, the County hereby pledges such tax and the full faith and credit of the County to such payments, provided, however, that the tax hereinabove described will not be required to be levied or, if levied, may be proportionately reduced to the extent of funds appropriated by the governing body of the County to the payment of the amounts described above from other revenues of the County. Such tax, to the extent levied, shall be assessed, levied, collected and paid in like manner as other taxes of the County. Such tax shall not be included within any statutory or other limitation of rate or amount for the County but shall be excluded therefrom and be in addition thereto and in excess thereof, notwithstanding and without regard to the prohibitions, restrictions or requirements of any other law, whether public or private. Any amounts payable under each Loan Agreement falling due at any time when there are insufficient funds from the tax levy on hand shall be paid from current funds of the County and reimbursement therefore should be made out of the taxes hereby provided to be levied when the same shall have been collected.

Section 5. Approval of Bonds. For the purpose of providing funds to make each Loan to the County, as provided herein and in each Loan Agreement, and to pay legal, fiscal, and administrative costs incident thereto including costs incident to the issuance and sale of each Series of Bonds related to a Loan Agreement, the issuance and sale of each Series of Bonds by the Authority in connection with a Loan Agreement is hereby approved and allocation of such Series of Bonds to the County for purposes of Section 265 of the Code is hereby accepted.

Section 6. Approval of Swap Agreements. As authorized by the applicable provisions of the laws of the State of Tennessee, the guidelines of the Funding Board, and the report of the State Director of Local Finance attached hereto as Exhibit B, the County hereby determines it to be in the best interests of the County to reduce its exposure to changes in interest rates by authorizing and approving the execution and delivery by the Authority of one or more Swap Agreements in connection with all or any portion of any Series of Bonds related to a Loan Agreement authorized hereunder, in substantially the form of the International Swap Dealers Association, Inc. Swap Agreement, the form of which is presented to this meeting, with one or more financial institutions whose debt or claims-paying ability is rated, or is, collateralized, guaranteed or insured by an entity whose debt or claims-paying ability is rated "A" or better by Standard & Poor's or Moody's Investors Service (the "Swap Counterparty" or "Loan Swap Counterparty") in a notional amount which in the aggregate does not exceed the principal amount of such Series of Bonds declining in accordance with the amortization schedule for such Series of Bonds, having a term not longer than the final maturity of such Series of Bonds, providing for a fixed rate not to exceed five and one-half percent (5.50%) payable by the County through the Authority in the case of a Swap Agreement and a variable rate payable by the Swap Counterparty based on (i) BMA Municipal Swap Index, (ii) the rate on the Series of Bonds to

which the Swap Agreement relates (iii) the rate on the Series of Bonds to which the Swap Agreement relates, plus Additional Payments (as defined in the Indenture), (iv) LIBOR or a percentage thereof or (v) such other index or method to be approved by the Chairman or Vice-Chairman of the Authority.

In accordance with applicable provisions of the laws of the State of Tennessee, the guidelines of the Funding Board and the report of the State Director of Local Finance attached hereto as Exhibit B, the County Mayor and the County Clerk on behalf of the County are hereby authorized, empowered and directed hereunder to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of a Swap Agreement as it relates to any Series of Bonds issued in connection with such Loan Agreement. With respect to a Swap Agreement, the delivery of a certificate executed by the County Mayor and the County Clerk, which may be the Confirmation of the Swap Agreement approving the terms and conditions of the Swap Agreement, shall constitute conclusive evidence of their approval of the final terms and conditions of the Swap Agreement and, to the extent permitted by applicable law, no further action shall be required by the County Commission. Payments to be made under each Swap Agreement shall be made from payments required to be made under the Loan Agreement. Morgan Keegan & Company, Inc. and the Program Administrator are hereby authorized to negotiate the terms and conditions of each Swap Agreement in conformance with the terms of this Resolution, subject to confirmation by the County Mayor and County Clerk, as set forth above.

Section 7. Refunding Escrow Agreement. For the purpose of providing for the payment of the principal of and interest on the Series 2002 Bonds, the County Mayor is hereby authorized and directed to execute and the County Clerk to attest on behalf of the County a Refunding

Escrow Agreement (the "Escrow Agreement"), in substantially the form attached hereto as Exhibit A, with an Escrow Agent to be selected by the County Mayor, and to deposit with the Escrow Agent the amounts to be used by the Escrow Agent to purchase Government Securities as provided therein; provided, however, that the yield on such investments shall be determined in such manner that none of the Bonds will be an "arbitrage bond" within the meaning of Section 148 (a) of the Code. The form of the Refunding Escrow Agreement presented to this meeting and attached hereto as Exhibit A is hereby in all respects approved and the County Mayor and the County Clerk are hereby authorized and directed to execute and deliver same on behalf of the County in substantially the form thereof presented to this meeting, or with such changes as may be approved by the County Mayor and the County Clerk, their execution thereof to constitute conclusive evidence of their approval of all such changes, including modifications to the Refunding Escrow Agreement. The Escrow Agent is hereby authorized and directed to hold and administer all funds deposited in trust for the payment when due of principal of and interest on the Refunded Bonds and to exercise such duties as set forth in the Refunding Escrow Agreement.

Section 8. Notice of Refunding. Prior to the execution and delivery of any Loan Agreement used to refund the Series 2002 Bonds, notice of the County's intention to refund the Series 2002 Bonds, to the extent required by applicable law, shall be given by the registration agent for the Series 2002 Bonds to be mailed by first-class mail, postage prepaid, to the registered holders thereof, as of the date of the notice, as shown on the bond registration records maintained by such registration agent of said Series 2002 Bonds. The County Mayor and the County Clerk, or either of them, is hereby authorized and directed to authorize the registration agent of said Series 2002 Bonds to give such notice on behalf of the County in accordance with this Section.

Section 9. Disposition of Proceeds. All amounts necessary, together with legally available funds of the County, if any, and investment earnings thereon, sufficient to prepay the Series 2002 Bonds, shall be deposited to the Escrow Fund of the Refunding Escrow Agreement and shall be used to pay principal of, premium, if any, and interest on the Series 2002 Bonds, as they come due.

An amount necessary to pay costs of issuance of each Loan Agreement and related Series of Bonds shall be deposited to the Cost of Issuance Fund of the Borrower held by the Trustee under the Indenture.

All remaining proceeds shall be held in the Loan Fund of the Borrower and used for the Projects.

Section 10. Official Statement. The County Mayor and the County Finance Director, or either of them, working with the Underwriter and the Authority, are hereby authorized and directed to provide for the preparation and distribution, which may include electronic distribution, of a Preliminary Official Statement describing each Series of Bonds related to a Loan Agreement of the County. After the Bonds have been sold, the County Mayor and the County Finance Director, or either of them, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The County Mayor and the County Finance Director, or either of them, shall arrange for the delivery to the Underwriter of a reasonable number of copies of the Official Statement within seven business days after sale of a Series of Bonds for delivery, by the Underwriter, to each potential investor requesting a copy of the Official Statement and to each person to whom the Underwriter initially sells the Bonds.

The County Mayor and the County Finance Director, or either of them, are authorized, on behalf of the County, as to the information relating to the County and the Series of Bonds related to the County's Loan Agreement, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12(b)(1), except for the omission in the Preliminary Official Statement of certain pricing and other information allowed to be omitted pursuant to such Rule 15c2-12(b)(1). The distribution of the Preliminary Official Statement and the Official Statement in final form shall be conclusive evidence that each has been deemed in final form as of its date by the County except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 11. Continuing Disclosure. The County hereby covenants and agrees that it will provide annual financial information and material event notices if and as required by Rule 15c2-12 of the Securities Exchange Commission for any Series of Bonds issued for a Loan Agreement of the County. The County Mayor and the County Finance Director, or either of them, are authorized to execute an agreement for the benefit of and enforceable by the owners of such Series of Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of the County to comply with the undertaking herein described and to be detailed in said closing agreement, shall not be a default hereunder, but any such failure shall entitle the owner or owners of any of the Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause the County to comply with their undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

Section 12. Consent to Assignment. The County hereby consents to the assignment pursuant to the Indenture of all the Authority's right, title and interest under each Loan Agreement as security for the Series of Bonds to which such Loan Agreement relates.

Section 13. Additional Authorizations. All acts and doings of the County Mayor, the County Clerk and the County Finance Director of the County and any other representative or officer of the County which are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of each Series of Bonds and the execution and delivery of each Loan Agreement and each Swap Agreement as set forth herein shall be and same hereby are in all respects, approved and confirmed.

Section 14. Lease Agreement. The County Mayor is hereby authorized to enter into such agreements and amendments to the November 10, 1993 Lease Agreement between the County and the Morristown-Hamblen Hospital Association (the "Hospital") to provide for any additional or adjusted lease payments, termination provisions and such other terms as are in his discretion necessary and appropriate in connection with the foregoing.

Section 15. Multiple Borrowings. The Loans authorized in Section 1 hereof, the Loan Agreements authorized in Section 3 hereof and the Bonds approved in Section 5 hereof may be executed and delivered in combination with other Loans, Loan Agreements and Bonds hereafter authorized by the County through the TN-LOANS<sup>SM</sup> Program.

Section 16. 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 17. Reimbursement. This resolution shall serve as evidence of the County's intent to reimburse the County for expenditures incurred in connection with the acquisition of the Projects in an amount up to \$16,000,000. This Section 17 is intended to comply Section 1.150-2 of Treasury Regulations promulgated by the United States Department of Treasury.

Section 18. Public Hearing. The County Mayor is hereby authorized to hold a public hearing pursuant to the Section 147(f) of the Internal Revenue Code relating to the financing of the Projects.

Section 19. 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 18<sup>th</sup> day of November, 2004.

/s/ Joseph Spoone  
Chairman

/s/ David Purkey  
County Mayor

ATTEST:

/s/ Linda Wilder  
County Clerk



# **Exhibit A**

# HAMBLLEN COUNTY GOVERNMENT

**David W. Purkey**  
County Mayor



"The People's House"

October 6, 2004

Mr. David H. Bowling  
Director of Local Finance  
Suite 1700, James K. Polk Building  
505 Deaderick Street  
Nashville, TN. 37243-7976

Re: Hamblen County, Tennessee

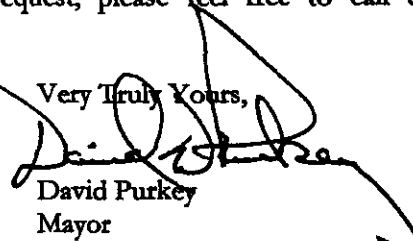
Dear Mr. Bowling:

Hamblen County, Tennessee requests a waiver for Bill Brittain, County Trustee, under the Guidelines for Interest Rate and Forward Purchase Agreements adopted by the State Funding Board at its meeting on September 27, 2000, as amended on August 1, 2002 (the "GUIDELINES").

Mr. Brittain attended the Tennessee Educational Swap Presentation on October 9, 2001 as required under the Guidelines, with said date being more than two years ago. To date, the County has entered into interest rate swap agreements on several of its outstanding variable rate loans, converting them synthetically to a fixed rate, in which Mr. Brittain was involved in and monitors.

If you have any questions regarding our request, please feel free to call either the undersigned or Mr. Joseph K. Ayres at 865-637-1131.

Very Truly Yours,

  
David Purkey  
Mayor

cc: Joseph K. Ayres

# HAMBLEN COUNTY GOVERNMENT

**David W. Purkey**  
County Mayor



"The People's House"

October 6, 2004

Mr. David H. Bowling  
Director of Local Finance  
Suite 1700, James K. Polk Building  
505 Deaderick Street  
Nashville, TN. 37243-7976

Re: Hamblen County, Tennessee

Dear Mr. Bowling:

In accordance with Tennessee Code Annotated Section 12-10-111 authorizing Interest Rate Agreements on Bonds issued by a Public Building Authority pursuant to Loan Agreements with a Governmental Entity, please find enclosed an INTEREST RATE AGREEMENT INFORMATION SHEET (the "INFORMATION SHEET") that represents a Request for a Report of Compliance.

The INFORMATION SHEET is being submitted pursuant to the GUIDELINES FOR INTEREST RATE AND FORWARD PURCHASE AGREEMENTS adopted by the State Funding Board at its meeting on September 27, 2000 (the "GUIDELINES").

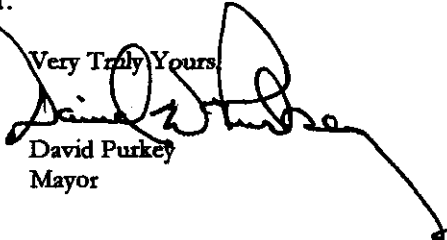
Hamblen County, TN (the "Governmental Entity") will enter in to a Loan Agreement described in the INFORMATION SHEET with The Public Building Authority of Sevier County, TN (the "PBA") in connection with the issuance by the PBA of variable rate bonds.

Pursuant to the Part IV (A) of the GUIDELINES, the Governmental Entity desires for the PBA, on behalf of the Governmental Entity, to enter into one or more Interest Rate Agreements on its Bonds relating to the Loan Agreement described in the INFORMATION SHEET for the purpose of reducing exposure to changes in interest rates with respect to a borrowing. This would be accomplished by swapping the PBA's variable rate exposure, on behalf of the Governmental Entity, to a fixed rate utilizing an Interest Rate Swap Agreement.

Under the Interest Rate Authorizing Statutes, as defined in the GUIDELINES, we hereby request authorization, along with the PBA, to enter into one or more Interest Rate Agreements, as described in the GUIDELINES, in connection with those certain Loan Agreements described in the INFORMATION SHEET.

If you have any questions regarding our request or the information enclosed, please feel free to call either the undersigned or Mr. Joseph K. Ayres at 865-637-4131.

Very Truly Yours

  
David Purkey  
Mayor

cc: Joseph K. Ayres

**APPENDIX A**

**INTEREST RATE AGREEMENT INFORMATION SHEET**

**General Information** [Guidelines, Sections II, III-A and IV-J]

Name of Governmental Entity: Hamblen County, TN

If Governmental Entity is a Conduit Issuer, Name of Borrower or Lessee to Which this Agreement Relates: \_\_\_\_\_

If Governmental Entity is Borrower or Lessee of a Conduit Issuer to Which this Agreement Relates, name of Conduit Issuer: PBA of Sevier County, TN

Name of Chief Executive Officer of Governmental Entity: David Purkey, CEO

Educational training: (course name, provider, date, number of hours attended) \_\_\_\_\_  
(TN Educational Swap Presentation, (Morgan Keegan, Bass, Berry & Sims, PFM), 10-09-2001, 8.0 hrs)

Name of Chief Financial Officer of Governmental Entity: Bill Brittain, CFO

Educational training: (course name, provider, date, number of hours attended) \_\_\_\_\_  
(TN Educational Swap Presentation, (Morgan Keegan, Bass, Berry & Sims, PFM), 10-09-2001, 8.0 hrs)

**Authorizing Statute for Interest Rate Agreement** [Guidelines, Section III-C]

- Section 7-34-109 authorizing Interest Rate Agreement for Municipal Utilities
- Section 7-39-305 authorizing Interest Rate Agreement for Energy Acquisition Corporations
- Section 7-82-502 authorizing Interest Rate Agreement for Utility Districts
- Section 9-21-213 authorizing Interest Rate Agreement for Governmental Entity General Obligation bonds and Citizens Bonds
- Section 9-21-305 authorizing Interest Rate Agreement for Governmental Entity Revenue Bonds
- Section 9-21-602 authorizing Interest Rate Agreement for Governmental Entity Capital Outlay Notes
- Section 9-21-907 authorizing Interest Rate Agreement for Governmental Entity General Obligation Refunding Bonds
- Section 9-21-1006 authorizing Interest Rate Agreement for Governmental Entity Revenue Refunding Bonds
- Section 12-10-111 authorizing Interest Rate Agreement for Public Building Authority Bonds
- Section 12-10-116 authorizing Interest Rate Agreement for leases, loan agreements, sales contracts or operating contracts between a Governmental Entity and a Public Building Authority
- Section 49-3-1002(h) authorizing Interest Rate Agreement for Counties for Schools
- OTHER:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Type of Interest Rate Agreement:**

- Interest Rate Swap Agreement
- Interest Rate Collar
- Interest Rate Floor
- Interest Rate Cap
- Other type of Interest Rate Agreement (describe below and attach agreement or sample) \_\_\_\_\_

Is the Interest Rate Agreement an option to enter into or cancel an Interest Rate Agreement in the future?                      Yes                       No

If yes, when may the option be exercised? \_\_\_\_\_

Will the Governmental Entity's obligations under the Interest Rate Agreement start in the future (i.e., a "forward agreement")?                      Yes                       No

Indicate the dates pertaining to the Interest Rate Agreement:

Earliest starting date: 11/01/04                      Final termination date: 06/01/30

**Condition(s) for Entering into an Interest Rate Agreement** [Guidelines, Section IV-A]

1. Purpose for entering into interest rate agreement:

- Reduce the Governmental Entity's exposure to changes in interest rates with respect to a borrowing.
- Reduce the net cost of borrowing with respect to related obligations.
- Accomplish the following described purpose. \_\_\_\_\_

The Borrower is swapping its variable rate exposure to a fixed rate

2. Provide appropriate analysis and other information necessary to demonstrate how the purpose indicated above will be accomplished. Further provide an analysis of the benefits weighed against the risks assumed. (Attach analysis and information to this form)  
See Attachment A

3. Will the indebtedness be incurred or authorized contemporaneously with entering into the Interest Rate Agreement?

- Yes                       No

Is the Agreement contingent on the issuance of such debt?

- Yes                       No

4. Describe specifically the indebtedness with respect to which the Interest Rate Agreement relates:

Local Government Public Improvement Bonds, Series 2004, Loan Agreement  
Expected Dated Date of November 1, 2004 or later

5. If this pertains to an Interest Rate Swap Agreement (whether current, forward or option), indicate type:

Fixed to floating       Floating to fixed

**Procurement of Interest Rate Agreements** [Guidelines, Section IV-B]

How will Counterparty be selected?

Competitively       Negotiated

**Form of Documentation** [Guidelines, Section IV-C]

International Swaps and Derivatives Association, Inc. Standard Documentation

Other Documentation (subject to approval by the Comptroller of the Treasury): Attach explanation of reasons for using documents other than ISDA documents and submit example of such documents. Also submit detailed description of variances from ISDA documents and effect of such variances on Governmental Entity.

**Risks Associated with Interest Rate Agreement** [Guidelines, Section IV-D]

The undersigned represents that the following risks are associated with the agreement and recognizes that the Governmental Entity is assuming such risks. The undersigned shall identify the benefits to the Governmental Entity in assuming such risks. Brief descriptions of such risks are set forth below:

Tax Risk	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Basis Risk	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Termination Risk	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Tail Risk	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Liquidity Renewal Risk	Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
Market Risk	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
Leverage Risk	Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>

**Description of Risks:**

**"Tax Risk"** - The risk that changes or proposed changes in tax laws or events relating to the tax-exempt status of the Governmental Entity's obligations or of tax-exempt obligations generally will cause interest rates on the debt of the Governmental Entity to increase.

**"Basis Risk"** - The risk that the interest rate payable by a Governmental Entity on floating rate debt may not exactly coincide with payment made to the Governmental Entity pursuant to an interest rate swap based upon a floating rate index.

**"Termination Risk"** - The risk that the Governmental Entity may have to pay a substantial sum of money if either the Governmental Entity or the Counterparty chooses to terminate an Interest Rate Agreement prior to its otherwise stated termination date or if the Agreement terminates for some other reason, including the occurrence of an event of default or a termination event in respect of either party to the Agreement.

**"Tail Risk"** - The risk that the term of the Interest Rate Agreement does not coincide with the term of the related obligations, thereby subjecting the Governmental Entity to additional interest rate risk.

**"Liquidity Renewal Risk"** - The risk to a Governmental Entity with variable rate bonds that the liquidity facility for the bonds will terminate or expire prior to the maturity of the bonds resulting in higher costs for the Governmental Entity or the risk of inability to secure a replacement facility.

**"Market Risk"** - The risk to a Governmental Entity of rising/falling interest rates.

**"Leverage Risk"** - The enhanced risk inherent in certain Interest Rate Agreements which, by their terms, leverage or multiply the risks undertaken.

**Counterparty Information** [Guidelines, Section IV-E]

1. Will Counterparty have a counterparty, a long-term debt, or a claims paying rating of "A" or better from a nationally recognized ratings service?  
Yes  No
  
2. If answer to first question is no, will Counterparty provide:
  - A surety for its obligations with a long-term debt or claims paying rating of "A" or better.
  - A guarantor with a long-term debt or claims paying rating of "A" or better.  
(Attach appropriate documentation for surety or guarantor rating)
  - Collateral with market value at least 102% of the termination value.

See Attachment C

**Credit Enhancement, Liquidity and Reserves** [Guidelines, Section IV-F]

The Guideline do not require the Governmental Entity or Counterparty to obtain credit enhancement or a liquidity facility nor maintain any reserves in connection with an Interest Rate Agreement, except in those cases where the Counterparty is required to provide collateral, guaranty or surety to secure the termination value of an Interest Rate Agreement.

1. Is the Counterparty required to provide collateral, guaranty, or surety to secure the termination value of the Interest Rate Agreement?  
Yes  No
2. If yes, please attach additional information concerning the collateral, guaranty or surety used to secure the termination value of the transaction.

**Financial Statement Reporting** [Guidelines, Section IV-G]

The Governmental Entity understands it shall account for the Interest Rate Agreement through generally accepted governmental accounting principles and will discuss with its accountant or auditor the accounting treatment required for the Agreement.

Yes  No

**Financial Monitoring Process** [Guidelines, Section IV-H]

1. Name of employee/position responsible for monitoring:  
Director of Finance, CFO

2. If a third party is to be used, provide information concerning the third party and their qualifications. Corporate Bond Trustee, Regions Bank is a \$46 billion multi-state financial institution with corporate trust accounts in excess of \$20 billion who oversees hundreds of Tennessee trust accounts.

3. Attach to the form a description of the process for monitoring and reviewing the valuations.  
See Attachment B

4. Is the process in place?  
Yes  No

5. What is the frequency of monitoring?  
 Weekly  Monthly  Other \_\_\_\_\_

6. Frequency of reporting monitoring results to Chief Executive Officer/Chief Financial Officer?  
 Weekly  Monthly  Other \_\_\_\_\_



**Application and Source of Payments** [Guidelines, Section IV-I]

1. Will a nonperiodic payment be received in connection with entering into or performing under an interest rate agreement?

Yes  No

a) If yes, has a nationally recognized bond counsel been consulted as to the existence of restrictions on the application or investment of such payment?

Yes  No

b) If no, will the Governmental Entity consult with such bond counsel that no such restrictions exist?

Yes  No

2. What are the sources for payments including nonperiodic payments to be identified in the Interest Rate Agreement? N/A

---

Information Provided

By:

  
(signature)

Name: David Purkey

Title: Mayor & CEO

Mailing Address: 511 West 2nd North St., Morristown, TN 37814

E-mail Address: \_\_\_\_\_

Phone: 423-586-1931

Fax: 423-587-9798

(Must be executed by Chief Executive Officer or Chief Financial Officer)

**Attachment A**  
**Analysis and Information Relating to Reducing Governmental**  
**Entity's Exposure to Changes in Interest Rates**

1. The Governmental Entity's main goal is to convert its variable rate debt to fixed rates in order to minimize exposure to future changes in interest rates and also take advantage of the current historically low interest rate environment.
2. Chart A-1 is a chart that depicts variable all-inclusive interest rates over the past 12 years and shows the volatility assumed in the variable rate bond market.
3. Chart A-2 shows the historical fixed rates over the last 16 years on the left & on the right, more recent rates are showing the drastic decline in rates over the last year.
4. Chart A-3 is an Amortization Schedule(s) showing the estimated all-inclusive fixed swap rate in today's market with an insured swap that will allow the Governmental Entity to "lock-in" at today's attractive rates. The estimated "base rate" was calculated by using indications of interest from AAA rated or insured counterparties on 70-80% of LIBOR index, based on the credit quality of the borrower and the average life of the loan.
5. The Governmental Entity anticipates the following benefits of entering into an interest rate swap agreement on one or more of its existing Loan Agreements described herein:
  - The outstanding obligations already have bond insurance and a AAA rating in place, which will not have to be repurchased as in a fixed rate refunding, thereby producing savings to the Governmental Entity
  - Currently, long-term fixed swap rates are lower than traditional fixed interest rates
  - Market flexibility is maximized as to timing of "locking in" fixed rates
  - Governmental Entity saves the expenses of a traditional new bond issue
6. The Governmental Entity has determined that the benefits outlined above, taking into account existing prepaid bond insurance, closing cost savings, competitive interest rates and market flexibility outweigh the risks assumed with an insured interest rate swap since Counterparty, Basis and Tax Risk have been minimized as discussed in the analysis below.

**Liquidity Risk** - To minimize liquidity risk, the Governmental Entities ("GE") have used large, multi-national, highly rated banks, long-term liquidity providers, staggered renewal dates and insured paper.

**Termination Risk** - The borrower has the right, but not an obligation, to terminate, if they deem economically beneficial.

**Tax & Basis Risk** - In order to mitigate this risk, the Governmental Entities budget for a higher rate on their swap in the event that there is a basis differential between the rate that the GE is receiving from the Counterparty, and the rate that they owe to bondholders on the outstanding variable rate bonds.

For instance, one GE has an all-inclusive fixed swap rate of 4.75% on a \$5,000,000 notional amount with an average life of over 20 years. In order to offset any potential tax or basis risk, the GE budgets for an interest rate of 5.00%.

Assuming that the LIBOR rate for the calculation period is 2.50%, and the GE did a 70% LIBOR swap, the GE would then receive 1.75% from the counterparty. The GE's outstanding variable rate bonds traded at an average rate of 2.00% (which is 80% of the 4.00% LIBOR) for the same period. This creates a 25bps difference in the amount that the GE receives from the counterparty and has to pay to bondholders. Due to the GE budgeting for this potential difference, which is \$3,125, there is no adverse effect on the GE.

If the outstanding bonds traded at lower the 70% of LIBOR, then they would receive more from the counterparty than what they are paying on the bonds. This amount would then be used to pay the interest on the bonds, thus lowering the effective overall interest on the bonds. If the outstanding bonds trade at higher than 70% of LIBOR, then the GE uses the extra budget amount to pay the difference. Any time there is extra funds resulting from this IRA, then those funds are used to pay off debt service.

The main benefit of doing a 70% or 80% of LIBOR Interest Rate Swap Agreement is because you can convert your existing variable rate debt to a fixed rate more efficiently than you can by simply refunding it and reissuing fixed rate bonds. This is due to the swap curve being more efficient than the traditional fixed rate curve, and also saving on other costs, such as Bond issuance and insurance costs. Another benefit of doing a swap based on a percentage of LIBOR is due to the "premium" that is paid on doing a "cost of funds" swap. On the attached table (*Attachment A-4*), you can see that by doing a 70% of LIBOR swap versus a BMA Swap (since TN-LOANS tracks the BMA very closely, this has been used as a comparison of where a "cost of funds" swap would be), that the GE comes out over 50bps better on their base fixed swap rate. Looking back at the above example, instead of the GE having an all-inclusive fixed swap rate of 4.75%, it would instead have an all-inclusive fixed swap rate of 5.27%. Taking into account the average life of the swap, this can save the GE approximately \$520,000 (52 bps on \$5 Million over 20 years). This number assumes that the GE's outstanding Bonds trade at exactly 70% of LIBOR for the entire life of the issue. If on average, the outstanding Bonds trade at higher than 70% of LIBOR, then this amount decreases. If, on the other hand, the outstanding Bonds trade at lower than 70% of LIBOR, then this amount would increase. As you can see from the chart included in this application (*Attachment A-5*), the TN-LOANS variable rate has historically traded around 65.4% of LIBOR. Assuming that this trend continues forward over the life of this issue, then the GE's overall cost of funds should be much lower than it would have otherwise obtained by a "cost of funds" swap or a traditional fixed rate issuance.

7. In conclusion, the use of variable rate debt during the "construction period" and any intermediate period has allowed the Governmental Entity to enjoy financial savings versus traditional fixed rate bonds. Now, however, this financing plan will allow the Governmental Entity to "rebalance" its debt portfolio by reducing its variable rate exposure and "lock in" fixed rates under market conditions that the Governmental Entity deems attractive. Therefore, this strategy will increase the Governmental Entity's future capital market flexibility in order to better manage its finances.

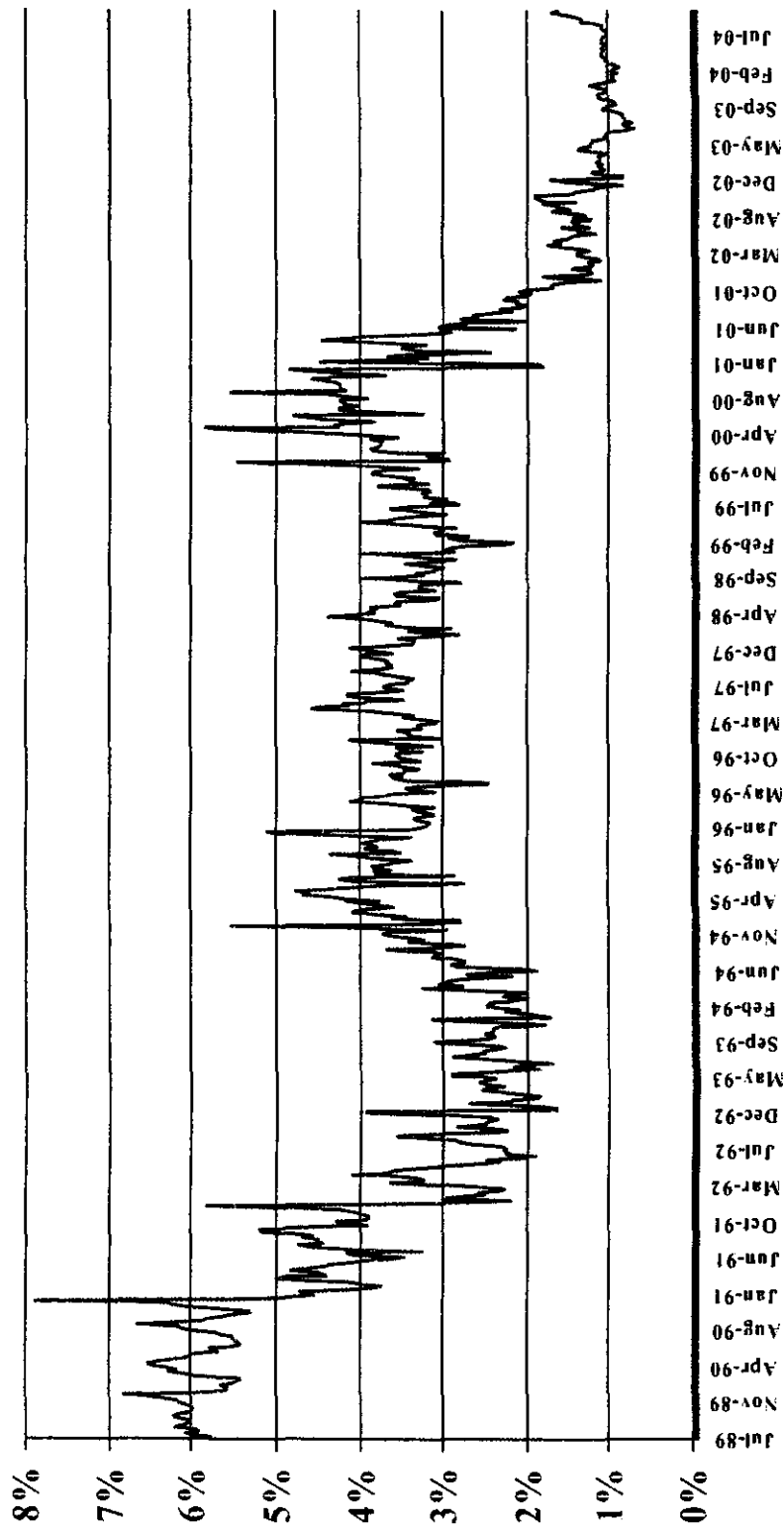
**Attachment B**  
**Description of the Process for**  
**Financial Monitoring & Reviewing**

The interest rate swap agreement entered into between the Counterparty, the Public Building Authority and the Governmental Entity will require the Counterparty to provide the Government Entity with monthly mark to market calculations showing the current termination value of the agreement.

These monthly calculations shall be furnished to the Corporate Bond Trustee who will be responsible for monitoring and reviewing the calculations. Additionally, the Corporate Bond Trustee, as a part of its monthly trust statements to the Governmental Entity will forward said calculations to the Governmental Entity position, listed on Page 5 of the Interest Rate Agreement Information Sheet under Financial Monitoring Process Item number 1, and will note any irregularities or deficiencies therein.

# Chart A-1 Variable Rate History

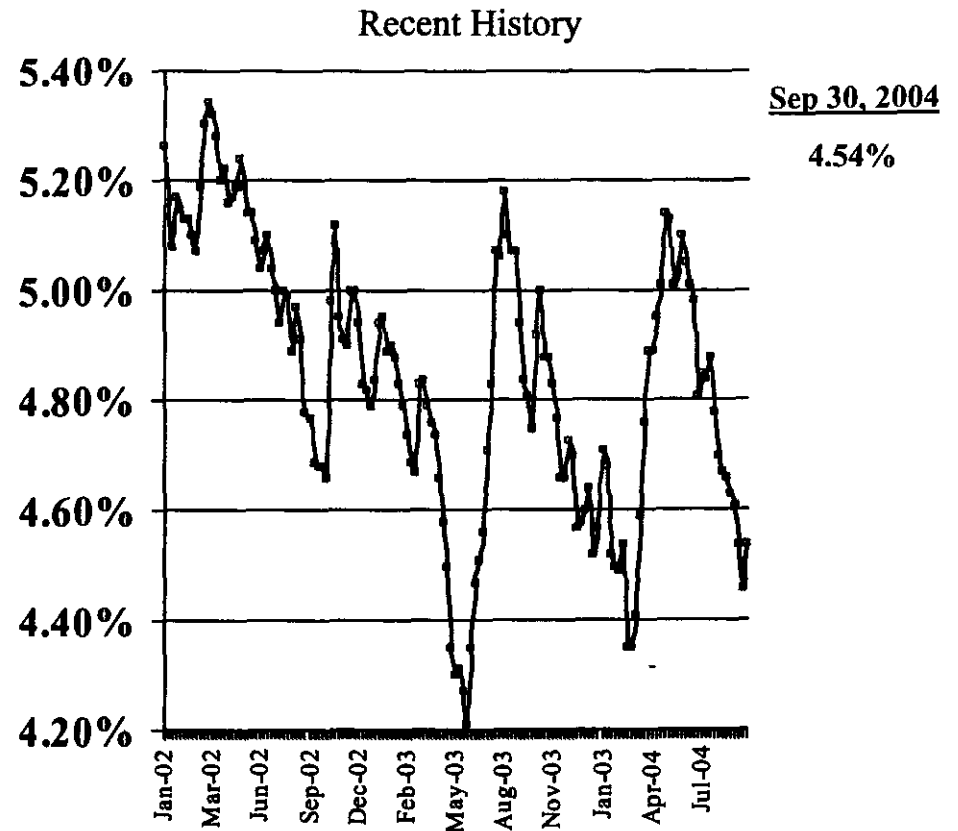
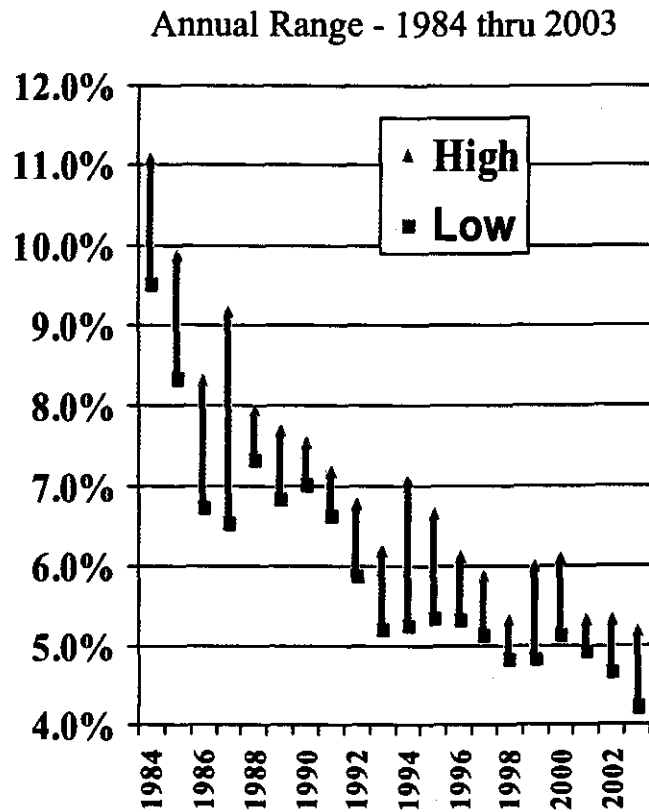
Average Since July 1989:  
3.25%



Cumberland Securities/Morgan Keegan

# Chart A-2

## 20 Year Bond Buyer G.O. Index Fixed Rates



**Chart A-3**

**\$18,750,000**

*Hamblen County, Tennessee*

*Local Government Public Improvement Bonds, Series 2004*

**Debt Service**

Date	Principal	Coupon	Interest	Total P+I
06/01/2005	-	-	554,687.50	554,687.50
06/01/2006	-	-	937,500.00	937,500.00
06/01/2007	-	-	937,500.00	937,500.00
06/01/2008	-	-	937,500.00	937,500.00
06/01/2009	175,000.00	5.000%	937,500.00	1,112,500.00
06/01/2010	200,000.00	5.000%	928,750.00	1,128,750.00
06/01/2011	200,000.00	5.000%	918,750.00	1,118,750.00
06/01/2012	200,000.00	5.000%	908,750.00	1,108,750.00
06/01/2013	225,000.00	5.000%	898,750.00	1,123,750.00
06/01/2014	225,000.00	5.000%	887,500.00	1,112,500.00
06/01/2015	250,000.00	5.000%	876,250.00	1,126,250.00
06/01/2016	250,000.00	5.000%	863,750.00	1,113,750.00
06/01/2017	275,000.00	5.000%	851,250.00	1,126,250.00
06/01/2018	275,000.00	5.000%	837,500.00	1,112,500.00
06/01/2019	300,000.00	5.000%	823,750.00	1,123,750.00
06/01/2020	325,000.00	5.000%	808,750.00	1,133,750.00
06/01/2021	325,000.00	5.000%	792,500.00	1,117,500.00
06/01/2022	1,400,000.00	5.000%	776,250.00	2,176,250.00
06/01/2023	1,475,000.00	5.000%	706,250.00	2,181,250.00
06/01/2024	1,550,000.00	5.000%	632,500.00	2,182,500.00
06/01/2025	1,625,000.00	5.000%	555,000.00	2,180,000.00
06/01/2026	1,725,000.00	5.000%	473,750.00	2,198,750.00
06/01/2027	1,800,000.00	5.000%	387,500.00	2,187,500.00
06/01/2028	1,900,000.00	5.000%	297,500.00	2,197,500.00
06/01/2029	1,975,000.00	5.000%	202,500.00	2,177,500.00
06/01/2030	2,075,000.00	5.000%	103,750.00	2,178,750.00
<b>Total</b>	<b>\$18,750,000.00</b>	<b>-</b>	<b>\$18,835,937.50</b>	<b>\$37,585,937.50</b>

**Date And Term Structure**

Dated.....	10/28/2004
First Coupon Date.....	12/01/2004
Frequency of Interest Payments.....	2 Per Year
First Serial Maturity Date.....	6/01/2009

**Yield Statistics**

Average Coupon.....	5.0000000%
Average Life.....	20.092 Years
Bond Yield for Arbitrage Purposes.....	5.0003718%
Bond Year Dollars.....	\$376,718.75

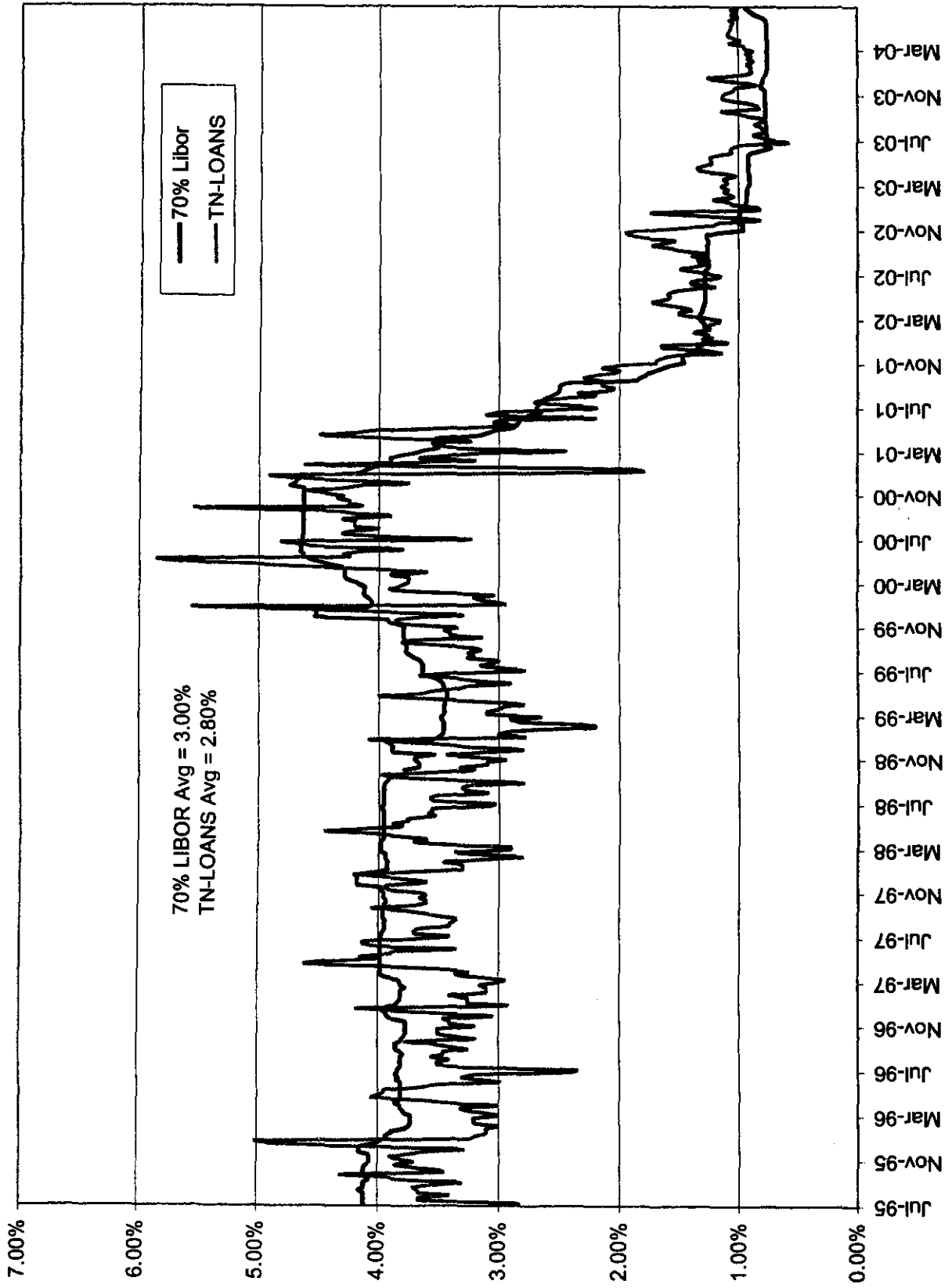
### Attachment A-4

	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	15 Year	20 Year
LIBOR	2.24%	2.99%	3.48%	3.85%	4.14%	4.57%	4.97%	5.35%	5.52%
70% LIBOR	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%	70.00%
	1.57%	2.09%	2.44%	2.70%	2.90%	3.20%	3.48%	3.75%	3.86%
BMA Swap	1.77%	2.30%	2.59%	2.90%	3.15%	3.47%	3.79%	4.17%	4.38%
Difference	-0.20%	-0.21%	-0.15%	-0.21%	-0.25%	-0.27%	-0.31%	-0.43%	-0.52%

	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	15 Year	20 Year
LIBOR	2.24%	2.99%	3.48%	3.85%	4.14%	4.57%	4.97%	5.35%	5.52%
80% LIBOR	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
	1.79%	2.39%	2.78%	3.08%	3.31%	3.66%	3.98%	4.28%	4.42%
BMA Swap	1.77%	2.30%	2.59%	2.90%	3.15%	3.47%	3.79%	4.17%	4.38%
Difference	0.02%	0.09%	0.19%	0.18%	0.16%	0.19%	0.19%	0.11%	0.04%



Attachment A-5



**Attachment C**

**AMBAC 2003 Annual Report**

## **Exhibit B**



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DIVISION OF LOCAL FINANCE  
SUITE 1700 JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-0274  
PHONE (615) 401-7976  
FAX (615) 532-5232

October 26, 2004

Honorable David W. Purkey  
Mayor of Hamblen County  
511 West Second North Street  
Morristown, Tennessee 37814

Dear Mayor Purkey:

This will acknowledge receipt on October 11, 2004, of your letter dated October 6, 2004, requesting a report of the Comptroller of the Treasury pursuant to Section 12-10-111, Tennessee Code Annotated and to Guidelines adopted by the State Funding Board on September 27, 2000, effective October 1, 2000, and amended on July 30, 2002, effective August 1, 2002 ("Guidelines") with regard to the execution of documents by Hamblen County ("Local Government Entity") and the Public Building Authority of Sevier County ("Authority") pertaining to interest rate agreements. We have determined that this request substantially complies with the Guidelines with a waiver of the educational requirements.

The State Funding Board, on September 27, 2000, adopted guidelines applicable to interest rate swap agreements for revenue bonds and loan agreements issued under the authority of Title 12 Chapter 10, Tennessee Code Annotated. The guidelines require that if the interest rate agreement is executed pursuant to the authority of Section 12-10-111, both the municipal corporation borrower and the corresponding public building authority must separately prepare and submit requests for the report of the Comptroller's Office. The Authority has submitted its request and we have responded similarly.

*The final decision to enter into these types of derivative transactions is solely the responsibility of the officials of the Local Government Entity and the Authority. We are requesting that you notify our office within 45 days subsequent to the execution of any interest rate agreements. Similarly, we are also requesting that we be notified if you determine not to proceed with the execution of any interest rate agreements referred to in this report. Subsequent to the execution of an interest rate agreement, the employee of your governmental entity identified in your request having responsibility for monitoring the interest rate agreement must submit to our office copies of the mark-to-market calculations submitted by the Counterparty. At such time as we determine that the Guidelines are being adhered to with regard to this monitoring requirement, we will discontinue the request for this information.*

---

## Report of Compliance with State Funding Board Interest Rate Agreement Guidelines

This report of compliance relates to an interest rate agreement in the following notional amounts, which equals all or a portion of the proposed principal balance of the Authority's Adjustable Rate Bonds ("AR Bonds") and the related Local Government Entity Loan Agreement funded by such bonds:

Notional Amount: Proposed \$ 18,750,000 Public Building Authority Local Government Public Improvement Bonds Series 2004; Proposed Local Government Entity Loan Agreement Dated October 1, 2004

### SPECIFIC GUIDELINES

#### Conditions to Entering into Interest Rate Agreement

The Authority and the Local Government Entity are proposing to enter into a synthetic fixed-rate instrument by utilizing a floating-to-fixed interest rate swap to reduce exposure to changes in interest with respect to the proposed Public Building Authority Local Government Public Improvement Bonds and the related Local Government Entity Loan Agreement.

#### Procurement of Interest Rate Agreement

The interest rate swap agreement will be obtained by negotiated sale as allowed by law.

#### Form of Documentation

The documentation evidencing the interest rate agreement will be the standard documents prepared by the International Swaps and Derivatives Association, Inc. (ISDA) and executed by the Authority and the Counterparty, approved by the Local Government Entity; additional documents will be executed by the Authority and the Local Government Entity to evidence a pass-through of the interest rate agreement.

#### Risks Associated with Interest Rate Agreements

Certain risks are being assumed which are associated with these interest rate agreements, and both the Local Government Entity and the Authority have indicated an understanding of these risks.

#### Standards for Counterparty Selection and Security for Financial Interest

The counterparty will not have a long-term debt rating of A or higher. The counterparty will provide a surety or a guarantor with a long-term debt rating of A or better. [AMBAC]

#### Financial Statement Reporting

All interest rate agreements shall be accounted for in your financial statements in accordance with generally accepted accounting principles.

#### Financial Monitoring

Mr. Bill Britain, Trustee for Hamblen County, will be responsible for monitoring the interest rate swap transaction. The Bond Trustee, Regions Bank, will review the calculations provided by the Counterparty, using mark to market calculations showing current termination value of the agreement. Regions Bank will monitor and review the calculations noting any irregularities or deficiencies therein and reporting to Mr. Britain.

Educational Requirements and Waiver

Mr. Bill Brittain has attended the Tennessee Educational Swap Presentation of Morgan Keegan/Bass, Berry & Sims/PFM on October 9, 2001. However, this training is not within the two year period required by the Guidelines. Attendance in accordance with the Guidelines indicates that the Authority has met the educational requirements in accordance with Guidelines, and therefore should have at least a basic understanding of the risks and benefits of entering into interest rate agreements. A waiver of this requirement will be granted based on Mr. Brittain's experience with interest rate agreements subsequent to attending the training program. It is recommended that updated training be obtained at the first available opportunity by the appropriate member(s) of Hamblen County government.

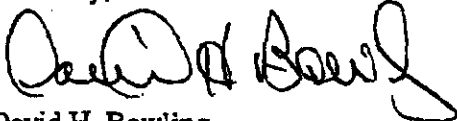
**CONCLUSION**

Based on a review of the information submitted to the Director, the request substantially complies with the Guidelines adopted by the State Funding Board with a waiver of the educational requirements.

Prior to execution of any interest rate agreement, you must determine that 1) sufficient funds will be available each fiscal year to make the net payments due under the interest rate agreement and the variable-rate coupon payments due through the loan agreement to the bond holders of the Authority, since the combined payment amount may exceed the target swap fixed-interest rate amount; and 2) should your governmental entity be required to make an early termination payment under the interest rate agreement, sufficient funds will be available to make such payment.

This Report of the Comptroller of the Treasury pursuant to the provisions of Section 12-10-111(k), Tennessee Code Annotated and Section III(D) of the Guidelines is to be considered conclusive evidence that the submitted request complies with the State Funding Board Guidelines, and no Interest Rate Agreement entered into that is consistent in all material respects with such request and this Report may thereafter be challenged for failure to comply with the Guidelines. Therefore, if you do not agree with any of the statements or understandings expressed in this Report relating to your proposed transactions, you should notify this Office within five (5) business days of receipt of this Report. As stipulated in the Guidelines, "such report of the Comptroller relates only to substantial compliance with the Guidelines and does not relate to the appropriateness of the transaction or the legal authority of the Governmental Entity to enter into the Agreement."

Sincerely,



David H. Bowling  
Director of Local Finance

Cc: Honorable Jack J. Delozier, Sr., Chairman—Public Building Authority of Sevier County  
Mr. Bill Brittain, Trustee—Hamblen County  
Mr. Joe Ayres—Cumberland Securities

CERTIFICATE OF COUNTY CLERK

I, Linda Wilder, certify that I am the duly qualified and acting County Clerk of Hamblen 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 the County held on November 18, 2004; 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 not to exceed \$19,000,000 general obligation indebtedness of the County.

WITNESS my official signature and seal of said County on this the 18<sup>th</sup> day of November, 2004.

/s/ Linda Wilder  
County Clerk

(SEAL)

Commissioners Maudie Briggs and Guy Collins leave the meeting at this time.

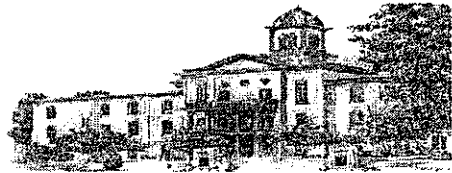
**BUDGET AMENDMENT-MALL OFFICE**

Motion by Herbert Harville, seconded by Larry Baker to approve the following budget amendment.

Voting for	Voting against	Absent
Dennis Alvis	None	Maudie Briggs
Larry Baker		Guy Collins
Ricky Bruce		
Doyle Fullington		
Donald Gray		
Herbert Harville		
Tom Lowe		
Linda Noe		
Edwin Osborne		
Nancy Phillips		
Bobby Reinhardt		
Joe Spoone		



Hamblen County Commission  
Finance Committee



"The People's House"

Month NOV Year 2004

Budget  Amendment\*  Reallocation\*\* ( please X one)

Fund 101

DEPARTMENT: MALL OFFICE

Account Number	Description	Debit	Credit
52900.167	Maintenance Personnel	2,475.00	
52900.201	Social Security	150.00	
52900.212	Medicare	35.00	
52900.307	Communication	4,500.00	
52900.330	Operating Lease Payments	27,000.00	
52900.335	Maintenance & Repair Services - Building	250.00	
52900.337	Maintenance & Repair Services - Office Equip	400.00	
52900.355	Travel	200.00	
52900.435	Office Supplies	2,000.00	
52410.307	Communication		4,500.00
52410.330	Operating Lease Payments		27,000.00
52410.335	Maintenance & Repair Services - Building		2,910.00
52410.337	Maintenance & Repair Services - Office Equip		400.00
52410.355	Travel		200.00
52410.435	Office Supplies		2,000.00
		37,010.00	37,010.00

Brief Descriptions of Issue:  
 To change major category for Mall Office in accordance with County Uniform Chart of Accounts.  
 Amend budget to pay for part-time janitorial services.  
 No new monies!

Signature: Bill Buttram  
 Title: Treasurer  
 Date: 11-2-04

For Finance Department Only:  
 Reviewed by: \_\_\_\_\_  
 Budget Amendment \_\_\_\_\_

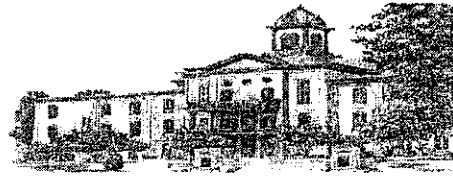
\*Amendment is to add to a line item from unappropriated  
 \*\*Reallocation is to rearrange monies with in the department

**BUDGET AMENDMENT-ARCHIVES DONATION**

Motion by Herbert Harville, seconded by Larry Baker to approve the following budget amendment.

Voting for	Voting against	Absent
Dennis Alvis	None	Maudie Briggs
Larry Baker		Guy Collins
Ricky Bruce		
Doyle Fullington		
Donald Gray		
Herbert Harville		
Tom Lowe		
Linda Noe		
Edwin Osborne		
Nancy Phillips		
Bobby Reinhardt		
Joe Spooone		

Hamblen County Commission  
Finance Committee



"The People's House"

Month NOV Year 2004

Budget  Amendment\*  Reallocation\*\* ( please X one)

Fund 101

DEPARTMENT: ARCHIVES

Account Number	Description	Debit	Credit
58400.599.00.000.5191	Archives	60.00	
48610.000.00.000.5191	Donations - Archives		60.00

Brief Descriptions of issue:  
Donations submitted to Archives

Signature: Nicole Epps, CAA  
Title: Finance Director  
Date: 11/2/04

For Finance Department Only:  
Reviewed by: \_\_\_\_\_  
Budget Amendment \_\_\_\_\_

\*Amendment is to add to a line item from unappropriated  
\*\*Reallocation is to rearrange monies with in the department

**BUDGET REALLOCATION**

Motion by Herbert Harville, seconded by Nancy Phillips to approve the following budget reallocation to budget lease payments of five county vehicles.

Voting for	Voting against	Absent
Dennis Alvis	None	Maudie Briggs
Larry Baker		Guy Collins
Ricky Bruce		
Doyle Fullington		
Donald Gray		
Herbert Harville		
Tom Lowe		
Linda Noe		
Edwin Osborne		
Nancy Phillips		
Bobby Reinhardt		
Joe Spoone		



**BUDGET AMENDMENT-GENERAL DEBT SERVICE**

Motion by Herbert Harville, seconded by Larry Baker to approve the following budget amendment for General Debt Services for proper reallocation of revenues for jail fees and litigation taxes.

Voting for	Voting against	Absent
Dennis Alvis	None	Maudie Briggs
Larry Baker		Guy Collins
Ricky Bruce		
Doyle Fullington		
Donald Gray		
Herbert Harville		
Tom Lowe		
Linda Noe		
Edwin Osborne		
Nancy Phillips		
Bobby Reinhardt		
Joe Spoons		



**BUDGET AMENDMENT-HIGHWAY DEPARTMENT**

Motion by Herbert Harville, seconded by Larry Baker to approve the following  
Budget amendment for the highway department.

Voting for	Voting against	Absent
Dennis Alvis	None	Maudie Briggs
Larry Baker		Guy Collins
Ricky Bruce		
Doyle Fullington		
Donald Gray		
Herbert Harville		
Tom Lowe		
Linda Noe		
Edwin Osborne		
Nancy Phillips		
Bobby Reinhardt		
Joe Spoone		



Hamblen County Commission  
Finance Committee



Month NOV Year 2004

Budget  Amendment\*  Reallocation\*\* ( please X one)

Fund 131

Account Number	Description	Debit	Credit
61000.201	Social Security	8,269.00	
61000.204	State Retirement	8,803.00	
61000.206	Life Insurance	111.00	
61000.207	Medical Insurance	17,744.00	
61000.212	Medicare	1,934.00	
62000.201	Social Security	34,716.00	
62000.204	State Retirement	36,711.00	
62000.206	Life Insurance	999.00	
62000.207	Medical Insurance	117,368.00	
62000.212	Medicare	8,595.00	
63100.201	Social Security	3,340.00	
63100.204	State Retirement	3,556.00	
63100.206	Life Insurance	74.00	
63100.207	Medical Insurance	14,006.00	
63100.212	Medicare	781.00	
66000.201	Social Security		46,325.00
66000.204	State Retirement		49,070.00
66000.206	Life Insurance		1,184.00
66000.207	Medical Insurance		149,118.00
66000.212	Medicare		11,310.00
		257,007.00	257,007.00

*Brief Descriptions of issue*  
 Departmentalize payroll taxes and insurance  
 No new monies!

Signature: Nicole Apps, CPA  
 Title: Finance Director  
 Date: 11/2/04

For Finance Department Only  
 Reviewed by: \_\_\_\_\_  
 Budget Amendment \_\_\_\_\_

\*Amendment is to add to a line item from unappropriated  
 \*\*Reallocation is to rearrange monies with in the department

**RESOLUTION-CAPITAL OUTLAY NOTE COURTHOUSE DOME**

Motion by Herbert Harville, seconded by Dennis Alvis to approve the following resolution authorizing the issuance of a three-year capital outlay note not to exceed-\$55,000 for the repair of the Courthouse Dome.

Voting for	Voting against	Absent
Dennis Alvis	None	Maudie Briggs
Larry Baker		Guy Collins
Ricky Bruce		
Doyle Fullington		
Donald Gray		
Herbert Harville		
Tom Lowe		
Linda Noe		
Edwin Osborne		
Nancy Phillips		
Bobby Reinhardt		
Joe Spooone		

### THREE -YEAR CAPITAL OUTLAY NOTES

RESOLUTION OF THE GOVERNING BODY OF HAMBLLEN COUNTY, TENNESSEE, AUTHORIZING THE ISSUANCE, SALE, AND PAYMENT OF COURTHOUSE CUPOLA CAPITAL OUTLAY NOTES NOT TO EXCEED \$\$\$55,000.

WHEREAS, the Governing Body of Hamblen County, Tennessee (the Local Government) has determined that it is necessary and desirable to provide funds for the following public works project (the "Project"): Repair of Courthouse Cupola (If multiple projects are involved, attach separate sheet identifying each project, its estimated economic life, and the portion of the Notes to be applied to the cost of such project ;) and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or otherwise fulfill a public purpose; and

WHEREAS, under the provisions of Parts I, IV, and VI of Title 9, Chapter 21, Tennessee Code Annotated (the "Act"), local governments in Tennessee are authorized to finance the cost of this Project through the issuance and sale of interest bearing capital outlay notes upon the approval of the State Director of Local Finance; and

WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of capital outlay notes to finance the cost of the Project;

NOW THEREFORE, BE IT RESOLVED, by the Governing Body of Hamblen County, Tennessee, as follows:

Section 1. That, for the purpose of providing funds to finance the cost of the Project in and for the Local Government, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this resolution to issue and sell interest-bearing capital outlay notes in a principal amount not to exceed Fifty-five thousand Dollars (\$55,000) (the "Notes") at either a competitive public sale or at a private negotiated sale upon approval of the State Director of Local Finance pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated "Repair to Courthouse Cupola Capital Outlay Notes, Series 2004", shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination (s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed three percent (3%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Notes shall mature not later than three (3) years after the date of issuance and that the Notes and any extension or renewal notes shall not exceed the reasonably expected economic life of the Project, which is hereby certified by the Governing Body to be at least 3 years. Provided, however, that each year the Notes are outstanding, one-third(1/3), but in no event not less than one-ninth (1/9), of the original principal amount of the Notes shall mature without renewal but subject to prior redemption.

Section 3. That, the Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That, the Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the notes, the full faith and credit of the Local Government is irrevocably pledged and the Local Government hereby pledges its taxing power as to all

taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local government over and above all other taxes authorized by the Local government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

Section 5. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the county mayor with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the county mayor of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the Trustee of the Local Government and shall be paid out for the purpose of financing the Project pursuant to this Resolution and as required by law.

Section 6. That, the Notes will be issued in fully registered form and that at all times during which any Notes remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the Local Government duly executed by the registered owner of the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered note or notes of the same aggregate principal amount and maturity as the surrendered Notes. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date of the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Notes shall be in substantially the form attached hereto and shall recite that the Notes are issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated.

Section 8. That, the Notes shall be sold only after the receipt of the written approval of the State Director of Local Finance for the sale of the Notes.

Section 9. That, the notes are hereby designated as qualified tax-exempt obligations for purpose of Section 265(b) (3) of the Internal Revenue Code of 1986.

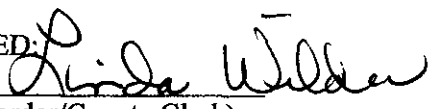
Section 10. That, after the sale of the Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 11. That, if any of the Notes shall remain unpaid at the end of three (3) years from the issue date, then the unpaid Notes shall be renewed or extended as permitted by law, or retired from the funds of the Local Government or be converted into bonds pursuant to Chapter 11 of Title 9 of the Tennessee Code Annotated, or any other law, or be otherwise liquidated as approval by the State Director of Local Finance.

Section 12. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage. Duly passed and approved this 18<sup>th</sup> day of November, 2004.

  
David W. Turker  
(Local Government Chief Executive)

ATTESTED:

  
Linda Wilber  
(City Recorder/County Clerk)

**INMATE MEDICAL CONTRACT**

Motion by Herbert Harville, seconded by Nancy Phillips to accept Southern Health Partners, with the low bid of \$109,000, for the inmate Medical Contract for the Hamblen County Jail.

Motion by Tom Lowe, seconded by Doyle Fullington to table the above motion.

Voting for table  
Doyle Fullington  
Tom Lowe

Voting against table  
Dennis Alvis  
Larry Baker  
Ricky Bruce  
Donald Gray  
Herbert Harville  
Linda Noe  
Edwin Osborne  
Nancy Phillips  
Bobby Reinhardt  
Joe Spoone

Absent  
Maudie Briggs  
Guy Collins

The vote was taken to accept Southern Health Partners for the inmate Medical Contract for the Hamblen County Jail.

Voting for  
Dennis Alvis  
Larry Baker  
Ricky Bruce  
Donald Gray  
Herbert Harville  
Linda Noe  
Edwin Osborne  
Nancy Phillips  
Bobby Reinhardt

Voting against  
Doyle Fullington  
Tom Lowe  
Joe Spoone

Absent  
Maudie Briggs  
Guy Collins

**REVERSE CALL BACK FOR 911**

Motion by Larry Baker, seconded by Dennis Alvis to approve a bid of \$23,740 from the low bidder of Avtex/City Watch for the 911 reverse call system. This will be paid from a homeland security grant FY-03 part 2.

Voting for	Voting against	Absent
Dennis Alvis	None	Maudie Briggs
Larry Baker		Guy Collins
Ricky Bruce		
Doyle Fullington		
Donald Gray		
Herbert Harville		
Tom Lowe		
Linda Noe		
Edwin Osborne		
Nancy Phillips		
Bobby Reinhardt		
Joe Spoone		

**RESOLUTION-LITTER GRANT**

Motion by Herbert Harville, seconded by Edwin Osborne to approve the following resolution authorizing the County Mayor to apply for a Litter Grant for FY 2004-2005.

Voting for	Voting against	Absent
Dennis Alvis	None	Maudie Briggs
Larry Baker		Guy Collins
Ricky Bruce		
Doyle Fullington		
Donald Gray		
Herbert Harville		
Tom Lowe		
Linda Noe		
Edwin Osborne		
Nancy Phillips		
Bobby Reinhardt		
Joe Spoone		



**AUTHORIZING RESOLUTION**

**Resolution authorizing submission of an application for a Litter and Trash Collecting Grant for FY 2004-2005 from the Tennessee Department of Transportation and authorizing the acceptance of said Grant.**

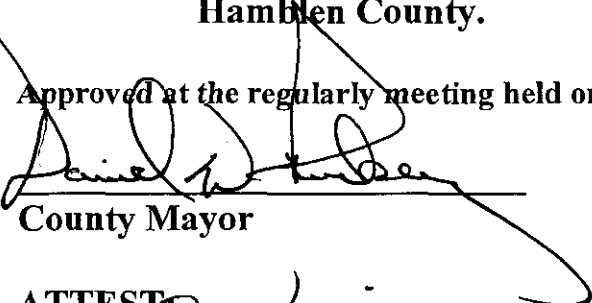
**Whereas, the Hamblen County Commission intends to apply for the aforementioned Grant from the Tennessee Department of Transportation and,**

**Whereas, the contract for the Grant for FY 2004-2005 will impose certain legal obligations upon Hamblen County.**

**THEREFORE, BE IT RESOLVED:**

- 1. That David Purkey, County Mayor of Hamblen County is authorized to apply on behalf of Hamblen County for a Litter and Trash Collecting Grant for FY 2004-2005 from the Tennessee Department of Transportation.**
- 2. That should said application be approved by the Tennessee Department of Transportation, then David Purkey of Hamblen County is authorized to execute contracts or other Necessary documents, which may be required to signify acceptance of the Litter and Trash Collecting Grant by Hamblen County.**


Approved at the regularly meeting held on the 19 day of November, 2004.

  
County Mayor

Notary: \_\_\_\_\_

Date: \_\_\_\_\_

(Seal)

ATTEST  
  
8/31/2006

**DRUG FREE WORKPLACE PROGRAM**

Motion by Ricky Bruce, seconded by Dennis Alvis to instruct the county attorney to proceed with the drug free workplace program.

Voting for: all

Voting against: none

**HAMBLLEN COUNTY TRAVEL POLICY**

Motion by Ricky Bruce, seconded by Tom Lowe to adopt the travel policy that updates Hamblen County's current travel policy with the current mileage, lodging, and meal reimbursement rates.

Voting for: all

Voting against: none

Proposed

**Hamblen County Government**  
**Comprehensive Travel Regulations**  
*Effective July 1, 2003*

**Comprehensive Travel Regulations**  
**Travel Reimbursement Rate Schedule**  
**General Reimbursement Schedule**  
*(Effective November 1, 2004)*

Revised: 7/19/2001

**General Reimbursement Rates**

Standard Mileage Rate	\$ 0.35/mile
Maximum Parking Fees Without Receipt	8.00/day
Fees for Handling Equipment/Promotional Materials	20.00/hotel

**Out-of-County Reimbursement Rates**

Employees should utilize the U.S. General Services Administration CONUS (Continental United States) rates provided by the federal government. To view the CONUS rates, access the Department of Finance and Administration web page @ <http://www.state.tn.us/finance/> Click on Accounts; then scroll to Policy Development where there is a direct link to the GSA CONUS rates.

Use the CONUS standard rates for all locations within the continental United States not specifically shown on the CONUS web page as a listed point. Both in-county and out-of county meals and incidentals are reimbursed at 75% for day of departure and/or day of return.

**In-County Travel Reimbursement Rates**

**Level I Counties and Cities Maximum Maximum Meals**

Lodging and Incidentals

Shelby County, Davidson County \$78.00 \$38.00

Gatlinburg

*(Includes Paris Landing, Montgomery Bell, Natchez Trace, Pickwick and Fall Creek Falls S. Parks)*

**Level II Counties Maximum Maximum Meals**

Lodging and Incidentals

Knox, Hamilton, Sullivan and Williamson

Counties \$65.00 \$31.00

Johnson City

*(Includes Henry Horton and Reelfoot Lake S. Parks)*

**Level III Counties Maximum Maximum Meals**

Lodging and Incidentals

All counties not listed above \$60.00 \$31.00

*In accordance with the provisions of TCA 4-3-1-8 (3) and the Comprehensive Travel Regulations, the above travel rates supersede and rescind all previous promulgated travel rates. These rates are effective August 1, 2001, and shall remain in effect until subsequently modified or withdrawn.*

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Nicole Epps, CPA  
Finance Director

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David Purkey  
County Mayor

Proposed

# Hamblen County Government Comprehensive Travel Regulations

Effective July 1, 2003

## Comprehensive Travel Regulations Travel Reimbursement Rate Schedule Department Head Reimbursement Schedule

(Effective November 1, 2004)

Revised: 7/19/2001

### General Reimbursement Rates

Standard Mileage Rate	\$ 0.35 /mile
Maximum Parking Fee Without Receipt	8.00/day
Fees for Handling Equipment/Promotional Materials	20.00/hotel

### Out-of-County Reimbursement Rates

Employees should utilize the U.S. General Services Administration CONUS (Continental United States) rates provided by the federal government. To view the CONUS rates, access the Department of Finance and Administration web page @ <http://www.state.tn.us/finance/> Click on Accounts; then scroll to Policy Development where there is a direct link to the GSA CONUS rates.

Use the CONUS standard rates for all locations within the continental United States not specifically shown on the CONUS web page as a listed point. Both in-county and out-of county meals and incidentals are reimbursed at 75% for day of departure and/or day of return.

### In-County Travel Reimbursement Rates

Level I Counties and Cities	Maximum	Minimum Meals
Lodging and Incidentals		
Shelby County, Davidson County	\$85.00 + tax	\$38.00
Gatlinburg		
<b>Level II Counties</b> Maximum Minimum Meals Lodging and Incidentals		
Knox, Hamilton, Sullivan and Williamson Counties	\$75.00 + tax	\$31.00
Johnson City		
<b>Level III Counties</b> Maximum Minimum Meals		
Lodging and Incidentals		
All counties not listed above	\$70.00 + tax	\$31 <del>0</del> .00

*In accordance with the provisions of TCA 4-3-1-8 (3) and the Comprehensive Travel Regulations, the above travel rates supersede and rescind all previous promulgated travel rates. These rates are effective August 1, 2001 and shall remain in effect until subsequently modified or withdrawn.*

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Nicole Epps, CPA  
Finance Director

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David Purkey  
County Mayor

**INTERSECTION IMPROVEMENT AT EAST RIDGE MIDDLE SCHOOL**

Motion by Nancy Phillips, seconded by Edwin Osborne to approve the following proposal for intersection improvement at East Ridge Middle School.

Voting for	Voting against	Absent
Dennis Alvis	None	Maudie Briggs
Larry Baker		Guy Collins
Ricky Bruce		
Doyle Fullington		
Donald Gray		
Herbert Harville		
Tom Lowe		
Linda Noe		
Edwin Osborne		
Nancy Phillips		
Bobby Reinhardt		
Joe Spoone		

**PROPOSAL**  
**OF THE DEPARTMENT OF TRANSPORTATION OF THE STATE OF TENNESSEE**  
**TO THE COUNTY OF HAMBLEN, TENNESSEE**

The DEPARTMENT OF TRANSPORTATION of the State of Tennessee, hereinafter "DEPARTMENT", proposes to construct a project designated as No. STP-H-334(5), 32007-2206-94 that is described as SR-344, East Ridge Middle School Intersection Improvement in the COUNTY of HAMBLEN, hereinafter COUNTY, provided the COUNTY agrees to cooperate with the DEPARTMENT as set forth in this proposal, so that the general highway program may be carried out in accordance with the intent of the General Assembly of the State.

Accordingly, if the COUNTY will agree:

1. That in the event any civil actions in inverse condemnation or for damages are instituted by reason of the DEPARTMENT, or its contractor, going upon the highway right of way and easements, and constructing said project in accordance with the plans and as necessary to make the completed project functional, it will notify in writing the Attorney General of the State, whose address is 404 James Robertson Parkway, Nashville, Tennessee 37243-0487, of the institution of each civil action, the complaint and all subsequent pleadings, within ten (10) days after the service of each of the same, under penalty of defending such actions and paying any judgments which result therefrom at its own expense; and
2. To close or otherwise modify any of its roads or other public ways if indicated on the project plans, as provided by law; and

3. To transfer or cause to be transferred to the DEPARTMENT without cost to it, all land owned by the COUNTY or by any of its instrumentalities as required for right of way or easement purposes, provided such land is being used or dedicated for road or other public way purposes; and

4. Where privately, publicly or cooperatively owned utility lines, facilities and systems for producing, transmitting or distributing communications, power, electricity, light, heat, gas, oil, crude products, water, steam, waste, storm water not connected with highway drainage, and other similar commodities, including publicly owned facilities such as fire and police signal systems and street lighting systems are located within the right of way of any road or other public way owned by the COUNTY, or any of its instrumentalities, the COUNTY agrees that it will take action necessary to require the removal or adjustment of any of the above described facilities as would conflict with the construction of the project. But the foregoing may not be a duty of the COUNTY since it shall become operative only after the DEPARTMENT has been unsuccessful in its efforts to provide for said removals or adjustments for the benefit of the COUNTY.

The foregoing does not apply to those utility facilities which are owned by the COUNTY or one of its instrumentalities, it being understood that the COUNTY has the duty to relocate or adjust such facilities, if required, provided the COUNTY is notified to do so by the DEPARTMENT with detailed advice as to this duty of the COUNTY; and

5. To maintain any frontage road to be constructed as part of the project; and

6. That after the project is completed and open to traffic, to accept for jurisdiction and maintenance such parts of any existing DEPARTMENT highway to be replaced by the project, as shown on the attached map; and

7. That the COUNTY will make no changes or alter any segment of a road on its road system that lies within the limits of the right of way acquired for any interchange to be constructed as part of the project and will not permit the installation or relocation of any utility facilities within the right of way of any such a segment of one of its roads without first obtaining the approval of the DEPARTMENT; and

8. That no provision hereof shall be construed as changing the maintenance responsibility of the COUNTY for such part of the project as may presently be on its highway, street, road or bridge system; and

9. That it is understood and agreed between the DEPARTMENT and the COUNTY that all traffic control signs for the control of traffic on a street under the jurisdiction of the COUNTY and located within the DEPARTMENT'S right of way shall be maintained and replaced by the COUNTY; and

10. That when traffic control devices for the direction or warning of traffic, lighting of roadways or signing, or any of them, which are operated or function by the use of electric current are constructed or installed as part of the project, they will be furnished with electricity and maintained by the COUNTY.

11. If, as a result of acquisition and use of right of way for the project, any structures that become in violation of a COUNTY setback/building line requirement, the COUNTY agrees to waive enforcement of the COUNTY setback/building line requirement and take other proper governmental action therefor.

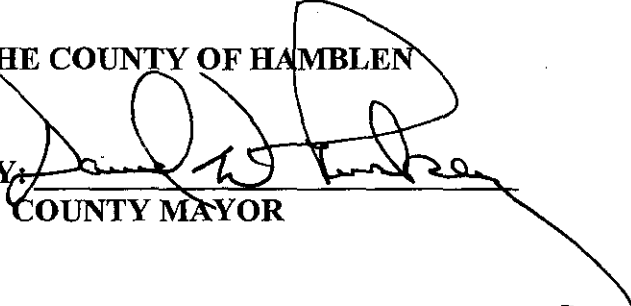
The acceptance of this proposal shall be evidenced by the passage of a resolution, or by other proper governmental action, which shall incorporate this proposal verbatim, or by reference thereto. Thereafter, the DEPARTMENT will acquire the right of way and



easements, construct the project and defend any inverse condemnation or damage civil actions of which the Attorney General has received the notice and pleadings provided for herein.

The project plans hereinbefore identified by number and description are incorporated herein by reference and shall be considered a part of this proposal, including any revisions or amendments thereto, provided a copy of each is furnished the COUNTY.

IN WITNESS WHEREOF, the DEPARTMENT has caused this proposal to be executed by its duly authorized official on this 19 day of November, 2004.

THE COUNTY OF HAMBLEN  
BY:   
COUNTY MAYOR

DATE: 11/19/04

STATE OF TENNESSEE  
DEPARTMENT OF TRANSPORTATION

BY: \_\_\_\_\_  
Gerald F. Nicely  
Commissioner

DATE: \_\_\_\_\_

APPROVED AS TO FORM AND LEGALITY:

BY: \_\_\_\_\_  
Sadie Rosson  
General Counsel

DATE: \_\_\_\_\_

**RESOLUTION-CAPITAL OUTLAY NOTES FOR GREEN CAN  
IMPLEMENTATION**

Motion by Nancy Phillips, seconded by Larry Baker to approve the following resolution.

Voting for  
Dennis Alvis  
Larry Baker  
Ricky Bruce  
Doyle Fullington  
Donald Gray  
Tom Lowe  
Edwin Osborne  
Nancy Phillips  
Joe Spoone

Voting against  
Herbert Harville  
Linda Noe  
Bobby Reinhardt

Absent  
Maudie Briggs  
Guy Collins

**FIVE -YEAR CAPITAL OUTLAY NOTES—COMPETITIVE SALE  
RESOLUTION OF THE GOVERNING BODY OF  
HAMBLLEN COUNTY GOVERNMENT, TENNESSEE, AUTHORIZING  
THE ISSUANCE, SALE, AND PAYMENT OF  
GREEN CAN IMPLEMENTATION CAPITAL OUTLAY NOTES  
NOT TO EXCEED \$600,000**

WHEREAS, the Governing Body of Hamblen County, Tennessee has determined that it is necessary and desirable to provide funds for the following public works project (Green Can Implementation”): Purchase Green Garbage Carts for citizens of Hamblen County and equip are current Garbage Truck with hydraulic lift and other equipment to implement the program. and

WHEREAS, the Governing Body has determined that the Project will promote or provide a traditional governmental activity or otherwise fulfill a public purpose; and

WHEREAS, under the provisions of Parts I, IV, and VI of Title 9, Chapter 21, Tennessee Code Annotated (the “Act”), local governments in Tennessee are authorized to finance the cost of this Project through the issuance and sale of interest bearing capital outlay notes upon the approval of the State Director of Local Finance; and WHEREAS, the Governing Body finds that it is advantageous to the Local Government to authorize the issuance of Title 9 Chapter 21 Section 608 capital outlay notes to finance the cost of the Project;

NOW THEREFORE, BE IT RESOLVED, by the Governing Body of Hamblen, Tennessee, as follows:

Section 1. That, for the purpose of providing funds to finance the cost of the Project in and for the Local Government, the Chief Executive Officer of the Local Government is hereby authorized in accordance with the terms of this resolution to issue and sell interest-bearing capital outlay notes in a principal amount not to exceed six hundred thousand dollars (\$600,000) (the “Green Can Implementation”) at a competitive public sale upon approval of the State Director of Local Finance pursuant to the terms, provisions, and conditions permitted by law. The Notes shall be designated “Green Can Capital Outlay Notes, Series 2004-05”, shall be numbered serially from 1 upwards; shall be dated as of the date of issuance; shall be in denomination (s) as agreed upon with the purchaser; shall be sold at not less than 99% of par value and accrued interest; and shall bear interest at a rate or rates not to exceed three percent (3%) per annum, and in no event shall the rate exceed the legal limit provided by law.

Section 2. That, the Notes shall mature not later than five (5 years after the date of issuance and that the Notes shall be amortized in an amount reflecting at least level debt service on the Notes with 2 an assumed interest rate of 3%, according to the following schedule:

<b>FISCAL PRINCIPAL FISCAL PRINCIPAL</b>	
<b>YEAR</b>	<b>AMOUNT YEAR AMOUNT</b>
1	\$ 120,000
2	\$ 120,000
3	\$ 120,000
4	\$ 120,000
5	\$ 120,000

The Notes shall not exceed the reasonably expected economic life of the Project, which is hereby certified by the Governing Body to be at least five years.

Section 3. That, the Notes shall be subject to redemption at the option of the Local Government, in whole or in part, at any time, at the principal amount and accrued interest to the date of redemption, without a premium, or, if sold at par, with or without a premium of not exceeding one percent (1%) of the principal amount.

Section 4. That, the Notes shall be direct general obligations of the Local Government, for which the punctual payment of the principal and interest on the Notes, the full faith and credit of the Local Government is irrevocably pledged and the Local Government hereby pledges its taxing power as to all taxable property in the Local Government for the purpose of providing funds for the payment of principal of and interest on the Notes. The Governing Body of the Local Government hereby authorizes the levy and collection of a special tax on all taxable property of the Local government over and above all other taxes authorized by the Local government to create a sinking fund to retire the Notes with interest as they mature in an amount necessary for that purpose.

Section 5. That, the Notes shall be executed in the name of the Local Government and bear the manual signature of the chief executive officer of the Local Government and the manual signature of the County Mayor, David W. Purkey with the Local Government seal affixed thereon; and shall be payable as to principal and interest at the office of the county mayor, of the Local Government or the paying agent duly appointed by the Local Government. Proceeds of the Notes shall be deposited with the Trustee, Bill Brittain of the Local Government and shall be paid out for the purpose of financing the Project pursuant to this Resolution and as required by law.

Section 6. That, the Notes will be issued in fully registered form and that at all times during which any Notes remains outstanding and unpaid, the Local Government or its agent shall keep or cause to be kept at its office a note register, if held by an agent of the Local Government, shall at all times be open for inspection by the Local Government or any duly authorized officer of the Local Government. Each Note shall have the qualities and incidents of a negotiable instrument and shall be transferable only upon the note register kept by the Local Government or its agent, by the registered owner of the Note in person or by the registered owner's attorney duly authorized in writing, upon presentation and surrender to the Local Government or its agent together with a written instrument of transfer satisfactory to the Local Government duly executed by the registered owner of the registered owner's duly authorized attorney. Upon the transfer of any such Note, the Local Government shall issue in the name of the transferee a new registered Note or Notes of the same aggregate principal amount and maturity as the surrendered Notes. The Local Government shall not be obligated to make any such Note transfer during the fifteen (15) days next preceding an interest payment date of the Notes or, in the case of any redemption of the Notes, during the forty-five (45) days next preceding the date of redemption.

Section 7. That, the Notes shall be in substantially the form attached hereto and shall recite that the Notes are issued pursuant to Title 9, Chapter 21, and Tennessee Code Annotated.

Section 8. That, the Local Government shall publish a notice of sale (the "Notice") at least five (5) days prior to the date on which the Notes are to be sold in both a newspaper having a general circulation in the Local Government and in a financial newspaper published in New York, New York, having national circulation. The Notice shall set forth the date, time and place of sale, the maximum amount of Notes to be sold, the maximum interest rate, the maximum discount, if any,

in dollars or as a percentage of par value that will be permitted, and the basis upon which the Notes will be awarded. Provided, however, that publishing a Notice in a financial newspaper published in New York, New York, having national circulation shall not be required in any sale where the total amount of Notes to be sold is not greater than five million dollars (\$5,000,000). Section 9. That, the Notes shall be sold only after the receipt of the written approval of the State Director of Local Finance for the sale of the Notes.

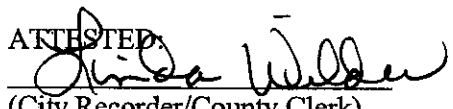
Section 10. That, the Notes are hereby designated as qualified tax-exempt obligations for the purpose of Section 265(b) (3) of the Internal Revenue Code of 1986.

Section 11. That, after the sale of the Notes, and for each year that any of the notes are outstanding, the Local Government shall prepare an annual budget in a form consistent with accepted governmental standards and as approved by the State Director of Local Finance (the "Director".) The budget shall be kept balanced during the life of the notes. The annual budget shall be submitted to the Director immediately upon its adoption; however, it shall not become the official budget for the fiscal year until such budget is approved by the Director in accordance with Title 9, Chapter 21, Tennessee Code Annotated (the "Statutes".) If the Director determines that the budget does not comply with the Statutes, the Governing Body shall adjust its estimates or make additional tax levies sufficient to comply with the Statutes, or as directed by the Director.

Section 12. That, all orders or resolutions in conflict with this Resolution are hereby repealed insofar as such conflict exists and this Resolution shall become effective immediately upon its passage.

Duly passed and approved this 19 day of November, 2004

  
\_\_\_\_\_  
County Mayor  
(Local Government Chief Executive)

ATTESTED:  
  
\_\_\_\_\_  
(City Recorder/County Clerk)

The December commission meeting will be held on Monday, December 20, 2004.

THEREUPON, MEETING ADJOURNED AT 6:25 P.M.