

Intent of Parity Status

The Tennessee Department of Environment and Conservation (the “Department”) and the Tennessee Local Development Authority (the “TLDA”) enter into Revolving Fund Loan Agreements (“Loan Agreements”) with eligible governmental entities pursuant to Parts 10 and 12 of Title 68, Chapter 221 of the Tennessee Code Annotated. The Loan Agreements prohibit the issuance of additional bonds or other evidences of indebtedness without the consent of the TLDA. Borrowers sometimes request that the TLDA consent to the issuance of bonds or other indebtedness on a parity. This document clarifies the TLDA’s definition of “parity status” as the equal benefit ratably according to the principal amount of the respective debt obligations then outstanding. Parity status of the Loan Agreement(s) and debt issued by a Borrower extends and applies to the rights and remedies of the TLDA and the Department, on one hand, and of the debtholders, on the other hand, in the event of a default by the Borrower of its obligations under either the Loan Agreements or the debt.

1. For purposes of parity status of debt issued by a Borrower, TLDA Loan Agreements with the same Borrower will be treated as one obligation.
2. TLDA’s consent (the “Consent”) is subject to the condition that the documentation authorizing the debt provides that Borrower payments be due on the 20th of the month.
3. The Consent to the issuance of the debt on parity with the Loan Agreement(s) refers only to parity of lien with respect to revenues of the system (wastewater or drinking water); and **not** to parity of lien with respect to pledge of state-shared taxes or to ad valorem tax collections (if applicable).
4. The Consent is subject to the condition that the documentation authorizing the debt clearly provide that the debtholders shall have no rights to any security deposits required by, and securing, the Loan Agreement(s)(if applicable).
5. Neither the Department nor the TLDA shall have any rights to any debt service reserve fund established in favor of the debt.
6. The Consent is subject to the condition that the documentation authorizing the debt does not provide debtholders acceleration rights in excess of those provided the TLDA under the Loan Agreement(s).
7. TLDA acknowledges that moneys collected from the pledge and collection of system revenues, following a default, from the exercise of TLDA’s remedies under the Loan Agreements or from the exercise of debtholder’s remedies under the resolution will, except as set forth above, be held for the equal benefit of TLDA and bondholders ratably according to the principal amount of the respective debt obligations then outstanding under the Loan Agreements and bond documents. This does **not** apply to, and under no circumstance will debtholders have any claim to, state-shared taxes or ad valorem tax collections.

The TLDA will not review the debt resolution or other documentation relating to the issuance of the proposed parity debt, and the TLDA will make no representation that the terms of any such documents or that the issuance of the debt is in compliance with the terms of the consent of the TLDA. The Borrower will be responsible for ensuring completeness and correctness of all documents.

Date: June 8, 2012