

MAY 14 2011



**STATE OF TENNESSEE**  
**COMPTROLLER OF THE TREASURY**  
OFFICE OF STATE AND LOCAL FINANCE  
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7872  
FAX (615) 741-5986

May 11, 2011

Honorable Sam Tune  
City of Eagleville Mayor  
126 South Main Street P.O. Box 68  
Eagleville, TN 37060

Dear Mayor Tune:

This letter acknowledges receipt of a letter dated April 19, 2011, and received on April 29, 2011, requesting the review of a refunding plan for the proposed issuance of approximately \$150,000 General Obligation Refunding Capital Outlay Notes, Series 2011 to currently refund \$149,970 of the City's outstanding 2005 Capital Outlay Notes (collectively the "Notes") by informal bid. Pursuant to the provisions of *Tennessee Code Annotated* Title 9, Chapter 21, a plan of refunding must be submitted to our Office for review prior to the adoption of a resolution by the governing body of a city authorizing the issuance of refunding bonds secured, in whole or in part, by the full faith and credit and unlimited taxing power of the city. Enclosed is the report of the review of this plan of refunding required by *Tennessee Code Annotated* Section 9-21-903. **The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity.**

**This letter and the accompanying report do not address compliance with federal tax regulations and should not be relied upon for that purpose. The City should discuss these issues with a tax attorney or bond counsel.**

This report and the submitted plan of refunding are to be published and placed on the City's website. The same report is to be provided to each member of the Board for review.

The City does not have a debt management policy and did not state a savings target for the current refunding. Based on the submitted report, the net present value savings for the refunding is \$6,184 or 4.12% of the refunded principal.

**Method of Sale**

The City plans to issue the Series 2011 Notes by informal bid. This method of sale for the Series 2011 Notes will be approved after the refunding capital outlay note resolution is submitted the Director's approval.

*This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office, at that time we will issue a report. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*It is recognized that the information provided in plans submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

We are enclosing State Form CT-0253, Report on Debt Obligation. Pursuant to Tennessee Code Annotated Title 9, Chapter 21, Section 151, this form is to be completed and filed with this Office within 45 days after the issuance of the refunding notes.

Sincerely,



Mary-Margaret Collier  
Director of the Office of State & Local Finance

Enclosure: Report of the Director of the Office of State & Local Finance  
State Form CT-0253, Report on Debt Obligation

Cc: Mr. Jim Arnette, Director of City Audit, COT  
Ms. Linda Mooningham, Legal Coordinator, TMBF

**REPORT OF THE TENNESSEE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE OF  
GENERAL OBLIGATION REFUNDING CAPITAL OUTLAY NOTES, SERIES 2011  
EAGLEVILLE, TENNESSEE**

The City of Eagleville (the "City") has submitted a plan of refunding (the "Plan") as required by Tennessee Code Annotated Section 9-21-903 regarding the proposed issuance of General Obligation ("GO") Refunding Capital Outlay Notes, Series 2011 in an amount not to exceed \$150,000 (the "Refunding Notes") to currently refund \$149,970 of the City's outstanding Capital Outlay Notes, Series 2005 (the "Outstanding Notes"). The Plan prepared by the Tennessee Municipal Bond Fund, anticipates the issuance of \$149,970 in 2011 Bonds by informal bid at par.

The purpose for the refunding is to "reduce the interest rate to provide cost savings to the City." The interest rate on the Outstanding Notes is 4.92% and the maximum interest rate proposed for the Refunding Notes is 3.75% with a rate of 3.58% used in the Plan.

The City does not have a debt management policy and did not state a savings target for the current refunding. Based on the submitted report from the City, the net present value savings at the interest rate of 3.58% for the refunding is \$6,184 or 4.12% of the refunded principal. Total annual savings are \$6,827 or approximately \$1,137 per year on average, but the annual savings are higher in the earlier years.

This refunding does not extend the life of the existing notes. The Refunding Notes and outstanding Notes both mature on March 01, 2017.

Total cost of issuance for the 2011 bonds is \$500 or \$3.33 per \$1,000 of notes issued.

**This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the plan. The assumptions included in the plan may not reflect either current market conditions or market conditions at the time of sale.**

*Mary-Margaret Collier*

Mary-Margaret Collier  
Director of State and Local Finance  
Date: May 11, 2011

LETTERHEAD OF CITY OF EAGLEVILLE, TENNESSEE

April 19, 2011

Ms. Mary-Margaret Collier  
Director  
Office of State and Local Finance  
James K. Polk Building  
505 Deaderick Street, Suite 1600  
Nashville, Tennessee 37243-027319

Hand Delivered

Re: Not to exceed \$150,000 General Obligation Capital Outlay Refunding Note, Series 2011,  
of the City of Eagleville, Tennessee

Dear Ms. Collier:

Enclosed for your review is a plan of refunding from the City of Eagleville, Tennessee (the "City"), in connection with the proposed refunding of an outstanding note issue of the City.

Pursuant to those certain guidelines, dated March 7, 2011, below is the required information:

City Council  
City of Eagleville, Tennessee  
126 South Main Street  
P. O. Box 68  
Eagleville, Tennessee 37060

Mayor Sam Tune  
[mayortune@eaglevilletn.com](mailto:mayortune@eaglevilletn.com)

We have been assisted by The Tennessee Municipal Bond Fund in obtaining the lowest rate on the proposed refunding notes.

The City Council would like to consider the necessary resolution authorizing the issuance of refunding notes at its regular scheduled meeting to be held on May 24, 2011.

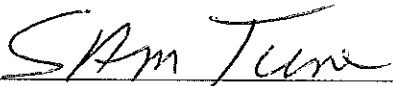
We are asking for approval of the issuance of refunding capital outlay notes pursuant to Section 9-21-612, Tennessee Code Annotated. We also are asking for permission to sell the refunding notes by the informal bid process.

Ms. Mary-Margaret Collier  
April 19, 2011  
Page 2

If you need additional information, please do not hesitate to contact me or Linda Mooningham, TMBF, phone number 255-1561.

Yours truly,

CITY OF EAGLEVILLE, TENNESSEE

By:   
Sam Tune, Mayor

Enclosures

xc: Tennessee Municipal Bond Fund

CITY OF EAGLEVILLE, TENNESSEE  
PLAN OF REFUNDING  
DATED APRIL 18, 2011

The City of Eagleville, Tennessee (the "City"), issued that certain \$350,000 General Obligation Capital Outlay Note, Series 2005, dated August 12, 2005 (the "Series 2005 Note"), the proceeds having been used for the purpose of (i) refunding the outstanding principal of those certain \$500,000 Water and Sewer Revenue and Tax Bonds, Series 1988, maturing March 1, 2006 through March 1, 2008, in the principal amount of \$140,000, and (ii) financing certain public works projects, consisting of the construction of a new recreational facility for the City.

The Series 2005 Note is currently outstanding in the amount of \$149,970, bears interest at the rate of 4.92%, and matures March 1, 2012 through March 1, 2017. The City has received an indicative rate quote of 3.58%. The City wishes to refund the Series 2005 Note in order to lower the interest payments.

The City has consulted the Tennessee Municipal Bond Fund in connection with such proposed refunding and asked TMBF to obtain rate quotes for the City. We have also consulted with MTAS and the City's accountant.

The purpose of the proposed refunding is to lower the interest cost the City is paying on the Series 2005 Note.

Refunding Debt:

Series 2011 Refunding Note

\$149,970 (maximum principal amount)  
Mature 3/1/2012 through 3/1/2017 in same principal amounts as Series 2005 Note  
Costs of issuance \$500 (to be paid from City funds)

Refunded Debt:

Series 2005 Note to be refunded:

General Obligation Capital Outlay Note, Series 2005  
Dated: August 12, 2005  
Tax-exempt  
Authorizing resolution adopted by City Council July 14, 2005  
Bank-qualified  
Proceeds used as described above – maturity is not being extended  
The City does not have a copy of the CT-0253 which was filed due to the change of administration and administrative staff – the City Recorder has searched but has been unable to find a transcript of such issue

The City has not yet adopted a debt management policy. However, the City does expect to reduce the amount of interest payable by the City due to the lower interest rate.

Enclosed is a copy of the plan of refunding for the Series 1988 Bonds and a copy of the report which was issued.

CITY OF EAGLEVILLE, TENNESSEE  
PLAN OF REFUNDING  
DATED APRIL 18, 2011

Note to be Refunded:	Series 2005 Note
Original Principal Amount	\$350,000
Principal to be Refunded	\$149,970
Interest Rate	4.92%
Remaining weighted average maturity	3.397

Proposed New Note:	Series 2011 Refunding Note
Maximum Principal Amount	\$149,970
Maximum Interest Rate	3.75%
Maximum Costs of Issuance	\$ 500 (to be paid from City funds)
Weighted average maturity of new note	3.397

Savings Summary:

Proposed interest rate	3.58% (this is an indicative interest rate quote – the final rate would be determined at the time the Municipality decided to go forward with the refunding and would be good for 30 days)
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Total savings based on current indicative rate of 3.58%	\$6,827
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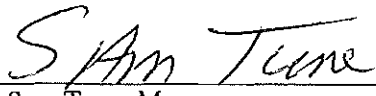
As percentage of refunded principal	4.552%
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For purposes of calculating the projected savings on the refunding, the City has used the current interest rate quote received by the Tennessee Municipal Bond Fund using the informal bid process.

The City hereby requests approval of the refunding of the Series 2005 Note, and requests approval to issue a not to exceed \$149,970 General Obligation Capital Outlay Refunding Note, Series 2011 (the "Refunding Note"), and further requests approval to sell the Refunding Note by the informal bid process at a rate not to exceed 4.00%. The Refunding Note would have the same principal payments and payment dates as the Series 2001 Note. The total costs of issuance involved with the issuance of the Refunding Note would be \$500.

CITY OF EAGLEVILLE, TENNESSEE

By: \_\_\_\_\_

  
Sam Tune, Mayor

DEBT SERVICE SCHEDULE FOR  
SERIES 2005 NOTE

BOND DEBT SERVICE

CITY OF EAGLEVILLE, TENNESSEE  
 \$149,970,000 REFUNDING NOTE-6 YEARS  
 PROPOSED REFUNDING OF  
 GENERAL OBLIGATION CAPITAL OUTLAY NOTE,  
 SERIES 2005, DATED AUGUST 12, 2005

\*\*\*CURRENT AMORTIZATION SCHEDULE WITH  
 CURRENT RATE OF 4.92%\*\*\*

Dated Date: June 1, 2011

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2011					
09/01/2011			1,844.63	1,844.63	
03/01/2012	21,970	4.920%	3,689.26	25,659.26	27,503.89
09/01/2012			3,148.80	3,148.80	
03/01/2013	23,000	4.920%	3,148.80	26,148.80	29,297.60
09/01/2013			2,583.00	2,583.00	
03/01/2014	24,000	4.920%	2,583.00	26,583.00	29,166.00
09/01/2014			1,992.60	1,992.60	
03/01/2015	26,000	4.920%	1,992.60	27,992.60	29,985.20
09/01/2015			1,353.00	1,353.00	
03/01/2016	27,000	4.920%	1,353.00	28,353.00	29,706.00
09/01/2016			688.80	688.80	
03/01/2017	28,000	4.920%	688.80	28,688.80	29,377.60
	149,970		25,066.29	175,036.29	175,036.29

FORM 8038 STATISTICS REPORT

CITY OF EAGLEVILLE, TENNESSEE  
 \$149,970,000 REFUNDING NOTE-6 YEARS  
 PROPOSED REFUNDING OF  
 GENERAL OBLIGATION CAPITAL OUTLAY NOTE,  
 SERIES 2005, DATED AUGUST 12, 2005

\*\*\*CURRENT AMORTIZATION SCHEDULE WITH  
 CURRENT RATE OF 4.92%\*\*\*

Dated Date: June 1, 2011

Dated Date 06/01/2011  
 Delivery Date 06/01/2011

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
LEVEL:						
	03/01/2012	21,970.00	4.920%	100.000	21,970.00	21,970.00
	03/01/2013	23,000.00	4.920%	100.000	23,000.00	23,000.00
	03/01/2014	24,000.00	4.920%	100.000	24,000.00	24,000.00
	03/01/2015	26,000.00	4.920%	100.000	26,000.00	26,000.00
	03/01/2016	27,000.00	4.920%	100.000	27,000.00	27,000.00
	03/01/2017	28,000.00	4.920%	100.000	28,000.00	28,000.00
		149,970.00			149,970.00	149,970.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield	Net Interest Cost
Final Maturity	03/01/2017	4.920%	28,000.00	28,000.00			
Entire Issue			149,970.00	149,970.00	3.397	4.9224%	4.9200%

PROPOSED DEBT SERVICE SCHEDULE FOR SERIES 2011  
REFUNDING NOTE

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BOND DEBT SERVICE

CITY OF EAGLEVILLE, TENNESSEE  
\$149,970,000 REFUNDING NOTE-6 YEARS  
PROPOSED REFUNDING OF  
GENERAL OBLIGATION CAPITAL OUTLAY NOTE,  
SERIES 2005, DATED AUGUST 12, 2005

\*\*\*PROPOSED AMORTIZATION SCHEDULE WITH  
INDICATIVE RATE OF 3.58%\*\*\*

Dated Date: June 1, 2011

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2011					
09/01/2011			1,342.23	1,342.23	
03/01/2012	21,970	3.580%	2,684.46	24,654.46	25,996.69
09/01/2012			2,291.20	2,291.20	
03/01/2013	23,000	3.580%	2,291.20	25,291.20	27,582.40
09/01/2013			1,879.50	1,879.50	
03/01/2014	24,000	3.580%	1,879.50	25,879.50	27,759.00
09/01/2014			1,449.90	1,449.90	
03/01/2015	26,000	3.580%	1,449.90	27,449.90	28,899.80
09/01/2015			984.50	984.50	
03/01/2016	27,000	3.580%	984.50	27,984.50	28,969.00
09/01/2016			501.20	501.20	
03/01/2017	28,000	3.580%	501.20	28,501.20	29,002.40
	149,970		18,239.29	168,209.29	168,209.29

FORM 8038 STATISTICS REPORT

CITY OF EAGLEVILLE, TENNESSEE  
 \$149,970,000 REFUNDING NOTE-6 YEARS  
 PROPOSED REFUNDING OF  
 GENERAL OBLIGATION CAPITAL OUTLAY NOTE,  
 SERIES 2005, DATED AUGUST 12, 2005

\*\*\*PROPOSED AMORTIZATION SCHEDULE WITH  
 INDICATIVE RATE OF 3.58%\*\*\*

Dated Date: June 1, 2011

Dated Date 06/01/2011  
 Delivery Date 06/01/2011

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
LEVEL:						
	03/01/2012	21,970.00	3.580%	100.000	21,970.00	21,970.00
	03/01/2013	23,000.00	3.580%	100.000	23,000.00	23,000.00
	03/01/2014	24,000.00	3.580%	100.000	24,000.00	24,000.00
	03/01/2015	26,000.00	3.580%	100.000	26,000.00	26,000.00
	03/01/2016	27,000.00	3.580%	100.000	27,000.00	27,000.00
	03/01/2017	28,000.00	3.580%	100.000	28,000.00	28,000.00
		149,970.00			149,970.00	149,970.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield	Net Interest Cost
Final Maturity	03/01/2017	3.580%	28,000.00	28,000.00			
Entire Issue			149,970.00	149,970.00	3.397	3.5813%	3.5800%

PLAN OF REFUNDING FOR PRIOR DEBT AND REPORT THEREON

# TENNESSEE MUNICIPAL BOND FUND

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Charles Farmer, Chairman of the Board  
Mayor, Jackson

Roger Haley, Vice Chairman  
City Manager, Murfreesboro

John P. Franklin, Jr.  
Councilman, Chattanooga

Ralph Loveless  
Mayor, Centerville

Bill Revell  
Mayor, Dyersburg

Tom Rowland  
Mayor, Cleveland

Bob Kirk  
Alderman, Dyersburg  
President, TML

Charles G. "Bones" Seivers  
President-CEO

W. Kevin Barnett  
Vice President-Marketing

Joseph Muscatello, Jr.  
Marketing Representative

Wade Morrell  
Comptroller

Lorrie Nelson  
Loan Coordinator/Secretary

Ogden Stokes  
Consultant/General Counsel

Linda Mooningham  
Legal Assistant  
Stokes, Bartholomew, Evans & Pease, P.A.

June 30, 2005

David Bowling, Director  
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

Via: Hand Delivery

Dear David:

## Refunding Capital Outlay Notes, Series 2005 of the City of Eagleville, Tennessee

The City of Eagleville (the "City"), Tennessee has issued those certain Water and Sewer Revenue and Tax Bonds, Series 1998 (the "Prior Bonds") in the original principal amount of \$500,000. The Prior Bonds can be prepaid at any time. As such, we have been asked to optionally redeem the outstanding balance as of July 01, 2005, in the amount of \$140,000 in order to provide cost savings to the public by the issuance of Refunding Capital Outlay Notes, (the "Refunding Notes"). As such, the City requests approval for a private negotiated sale and represents that the proposed sale is feasible, is in the best interests of the City, and that it can amortize the proposed Refunding Notes together with all other indebtedness. Attached herewith is certain information prepared for your review and report per T.C.A. 9-21-612 and 9-21-903.

### Bonds to be refunded:

Eagleville, Tennessee

Water & Sewer Revenue and Tax Bonds, Series 1998  
Original Principal Amount: \$500,000  
Principal Outstanding as of July 01, 2005: \$140,000  
Average Coupon: 7.50%  
Remaining Term: 3 years

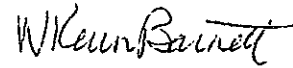
### Proposed Refunding Notes:

Principal: \$140,000  
Closing Costs: \$500  
Coupon: 4.92%  
Term: 3 years

The proposed interest rate on the Refunding Notes is 4.92% as compared to an average rate of 7.50% on the Prior Bonds. This produces total savings of \$5,547 or 3.96% of the outstanding principal and present value savings of \$5,225 or 3.73% of the outstanding principal.

Should you have any questions, please do not hesitate to contact us.

Respectfully,



W. Kevin Barnett  
Vice President - Marketing

WKB/ln  
attachments

c: Dr. Nolan Barham, Mayor, City of Eagleville, Tennessee  
Linda Mooningham, Legal Assistant - Stokes, Bartholomew, Evans and Petree

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BOND DEBT SERVICE

CITY OF EAGLEVILLE, TENNESSEE  
\$500,000 WATER & SEWER REVENUE & TAX BONDS  
OUTSTANDING PRINCIPAL

Dated Date           09/01/2005  
Delivery Date       09/01/2005

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
09/01/2005					
03/01/2006	45,000	7.500%	5,250.00	50,250.00	50,250
09/01/2006			3,562.50	3,562.50	
03/01/2007	45,000	7.500%	3,562.50	48,562.50	52,125
09/01/2007			1,875.00	1,875.00	
03/01/2008	50,000	7.500%	1,875.00	51,875.00	53,750
	140,000		16,125.00	156,125.00	156,125

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BOND DEBT SERVICE

CITY OF EAGLEVILLE, TENNESSEE  
\$140,000 WATER & SEWER REVENUE & TAX REF NOTES  
TENNESSEE MUNICIPAL BOND FUND  
ESTIMATED CURRENT INTEREST RATE  
PROPOSED REFUNDING NOTES

Dated Date           09/01/2005  
Delivery Date       09/01/2005

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
09/01/2005					
03/01/2006	45,000	4.920%	3,444	48,444	48,444
09/01/2006			2,337	2,337	
03/01/2007	45,000	4.920%	2,337	47,337	49,674
09/01/2007			1,230	1,230	
03/01/2008	50,000	4.920%	1,230	51,230	52,460
	140,000		10,578	150,578	150,578

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SAVINGS

TENNESSEE MUNICIPAL BOND FUND  
ESTIMATED CURRENT INTEREST RATE  
PROPOSED REFUNDING NOTES

Date	Prior Bond Series	New Bond Series	Savings	Annual Savings	Present Value to 09/01/2005 @ 4.9200000%
03/01/2006	50,250.00	48,444.00	1,806.00		1,762.64
09/01/2006	3,562.50	2,337.00	1,225.50	3,031.50	1,167.36
03/01/2007	48,562.50	47,337.00	1,225.50		1,139.33
09/01/2007	1,875.00	1,230.00	645.00	1,870.50	585.25
03/01/2008	51,875.00	51,230.00	645.00		571.20
09/01/2008				645.00	
	156,125.00	150,578.00	5,547.00	5,547.00	5,225.78

Savings Summary

PV of savings from cash flow	5,225.78
Net PV Savings	5,225.78



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

July 20, 2005

Honorable Dr. Nolan Barham  
Mayor of Eagleville  
P. O. Box 68  
Eagleville, TN 37060

Dear Mayor Barham:

This will acknowledge receipt of a letter dated July 20, 2005, submitted on behalf of the City of Eagleville from Mr. Kevin Barnett of the Tennessee Municipal Bond Fund, requesting approval for the issuance of \$210,000 capital outlay notes. Also enclosed is a resolution adopted on July 14, 2005 authorizing the issuance of the notes to finance construction of a recreational facility. The authorizing resolution provides that the notes shall mature not later than March, 2017. State law regarding capital outlay notes requires any notes to mature not later than twelve years after issuance. The law also requires that a portion of the principal of the notes be retired annually, at least in such amount as would be paid if the notes were retired on the basis of level debt service. This requirement may be waived upon approval from our office. Mr. Barnett has requested such a waiver, with the provision that amortization of the principal of these notes will begin in March, 2009, subsequent to the maturity of a proposed \$140,000 Refunding Capital Outlay Note which our office has previously approved.

The plan which was presented to our office for issuance of the \$140,000 Refunding Capital Outlay Notes indicated that, at an average interest cost of 4.92%, this would result in a cumulative savings of approximately \$5,550 through fiscal 2017, which is the final maturity of the outstanding debt obligations being refunded. If the City of Eagleville pays interest only during the first three years of the \$210,000 capital outlay notes now being considered, this will be cumulative interest payments for these notes of \$25,000 during this period, even if the interest cost for these notes is only 4.00%. The authorizing resolution does not indicate a proposed interest rate, but does state that such rate could not exceed 6.00%.

During the past session of the General Assembly, our office drafted a bill that would basically remove the ability for a local government to defer principal payments on debt obligations. We did include some exception provisions similar to those which are currently permitted in the laws relating to the issuance of bonds and bond anticipation notes. Unfortunately, this legislation was not viewed favorably by either the financial community or by local governments in Tennessee,

and subsequently was not considered by the legislature. It is my belief that the deferral of principal amortization on debt obligations results in higher debt service costs to the citizens of Tennessee.

Based on similar requests that have been presented to us in the past for waivers, the reasoning usually is that this is being done either "to restructure the local government's overall debt service payments to a basis that more closely matches funding availability", or that it "would require a tax increase or otherwise unnecessarily burden the local government to meet the statutory principal amortization requirements." This office has, heretofore, not questioned a local government's decision to defer principal debt payments. However, we are now changing our procedures with regard to these situations.

As we indicated above, this office has authority to waive the statutory requirement that a portion of the principal amount of any capital outlay notes must be retired annually. Ultimately, if we consider such proposals appear to be in the local government's best interest, we will provide whatever authorization we are permitted under the laws of this state. However, it now must be exhibited to us in some manner that this is, in fact, in the local government's best interest. Consequently, before we approve such waivers we are going to require that supporting information be submitted to our office from the local government reflecting the reasons for and results of their choosing to delay amortization of capital outlay notes. As I have stated, I believe this has the effect of extending the average life of debt and increasing the local government's debt service costs.

The information we are now going to begin requiring is as follows:

A. A statement from you as Chief Executive Officer of the City of Eagleville: 1) specifically explaining why the City desires to delay amortization of the proposed \$210,000 capital outlay note, 2) indicating what the effect would be on the City if we do not grant a waiver, and 3) indicating any difficulty the City would have in providing such amounts as would be necessary to make annual principal payments if no waiver is granted.

B. A financial analysis supporting your statements in item A, which should include a projection of the City's annual revenues, other available funds and expenditures for the life of the notes to which the waiver request relates. This should be prepared in such manner as is necessary to support any proposal that annual principal amortization of these notes would negatively impact the City's financial operations. (Obviously, these will be estimates—but the City should prepare similar documentation to support any decision regarding the deferral of debt principal, even if not requested to do so by our office.)

C. A schedule which indicates 1) the existing annual principal and interest payments which will be required for all of the City's currently outstanding debt to final maturity, 2) the comparable principal and interest payments which would be made if the \$140,000 refunding plan is executed and the proposed \$210,000 notes are amortized with no principal payments during the first three years as the waiver would allow, 3) the comparable principal and interest payments which would be made if the \$140,000 refunding plan is executed and the proposed \$210,000 are amortized

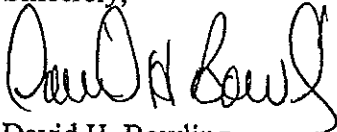
based on level debt service payments over the life of the notes assuming the waiver is not approved. (Unlike our process regarding refunding plans, we will not require that a present value analysis be included in these statements.)

This otherwise constitutes approval by this office for the issuance of \$210,000 Eagleville General Obligation Capital Outlay Notes, Series 2005, approved by resolution of the Legislative Body on July 14, 2005. Please be advised, however, that until we are in receipt of the information we have requested, the **State Director of Local Finance does not grant a waiver** of the statutory requirement for annual principal amortization of capital outlay notes. Unless such waiver is granted, a portion of the principal of any notes issued must be retired annually at least according to a schedule that reflects level debt service payments. This also constitutes approval for the notes to be issued by the informal bid process, as requested by Mr. Barnett on behalf of the City of Eagleville.

*This approval is effective for a period of six (6) months. If the notes have not been issued during that time, a resolution must subsequently be adopted by the Legislative Body and submitted to this office confirming that the information contained in the note resolution which has currently been submitted remains valid. We will acknowledge receipt of such resolution and will issue our statement that this approval remains valid for an additional 6-month period.*

We are enclosing State Form CT-0253, Report on Debt Obligation. Tennessee Code Annotated, Title 9, Chapter 21, Section 151, requires this report be prepared and filed with our office within 45 days after the issuance of debt with a life greater than one year from the date of issuance.

Sincerely,



David H. Bowling  
Director

DHB:laa

Cc: Kevin Barnett ↓