

WILLIAMS, JERROLD, GODWIN & NICHOLS, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
408 MAIN STREET
SAVANNAH, TN 38372

Telephone (731) 925-6547 Fax (731) 925-9524

FAX MEMO

Date: 3-13-06

To: Sharla Dillon

Fax #: (615) 741-5015

From: Kerry Williams - Aqua Utilities

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05-00105

Remarks:

Re: letter of credit

on Aqua Utilities.

RECEIVED
MAR 13 PM 1:23
T.R.A. DOCKET ROOM

AQUA UTILITIES COMPANY, INC.
408 MAIN STREET
SAVANNAH, TN 38372
PHONE (731) 925-6547
FAX (731) 925-9524

March 13, 2006

Tennessee Regulatory Authority
Attn: Sharla Dillon, Docket manager
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Aqua Utilities letter of credit

This is the letter of credit that Aqua Utilities Company, Inc. has been asked to provide. The letter of credit has also been sent by overnight delivery. Aqua Utilities Company ID is 35872. If you have any questions, please call the number above and ask to speak to Kerry Williams.

Sincerely,

A handwritten signature in cursive script that reads "Kerry Williams".

Kerry Williams



Community South

A Better Way To Bank

LETTER OF CREDIT

Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

REFERENCE: Aqua Utilities, Inc. - - - -

#62-1493779

Irrevocable Letter of Credit # 516065

Effective Date: March 13, 2006

Sir/Madam:

You have requested of Community South, hereinafter called the "Lender" that we establish an irrevocable letter of credit which will remain available on behalf of Aqua Utilities, Inc, hereinafter the "Company" who has applied to the Tennessee Regulatory Authority (the "Authority") for authority to provide public wastewater services in the state of Tennessee. The purpose of this letter of credit is to secure payment of any monetary obligation imposed against the Company, its representatives, successors or assigns, in any contested case proceeding brought under Tenn. Comp. R & Regs, Chapter 1220-4-13 by or on behalf of the Authority.

We hereby establish and issue, in favor of the Authority, an irrevocable letter of credit in the amount of one hundred thousand dollars (\$100,000.00) lawful money of the United States of America. Upon entry of an Order that finds a monetary obligation pursuant to Chapter 1220-4-13, the Authority may draw upon this letter of credit, at any time and from time to time, by delivering a Letter of Credit Notice, substantially in the form set forth below ("Notice"), which Notice shall specify the amount (the "Draw Amount") to be drawn and the account (the "Bank Account") to which the Draw Amount should be delivered and shall be signed by an official designated and duly authorized by the Authority, to Lender at the address listed below, or to such other address as the Lender shall notify the Authority in writing by certified mail. Promptly after the delivery of each Notice, the Lender hereby covenants and agrees to deliver, by wire transfer of immediately available funds, the Draw Amount to the Bank Account.

This Letter of Credit shall be deemed automatically renewed without amendment for successive one-year periods and may be cancelled by the Lender by giving thirty (30) days advanced written notice by certified mail of such cancellation to the Authority and the Company, it being understood that the Lender shall not be relieved of liability of liability that may have accrued under this letter of credit prior to the date of cancellation.



Community South

A Better Way To Bank

If for any reason, the letter of Credit is not to be renewed upon its expiration, the Lender shall a least 60 days prior to the expiration date of the letter of credit, provide written notification by means of certified mail, return receipt requested, to the Tennessee Regulatory Authority, that the letter of credit will not be renewed beyond the then current maturity date for an additional period. Concurrent with such notification, the public wastewater utility shall provide the Tennessee Regulatory with replacement financial security or petition consistent with Rule 1220-4-13-.07(5). Failure to have approved financial security in effect will subject the public wastewater utility to daily penalties pursuant to Tenn. Code Ann. ~ 65-4-120.

The Lender hereby represents and warrants that it is qualified and authorized to issue this letter of credit and is a bank designated by the Treasurer of the State of Tennessee as an authorized depository bank for the deposit of state funds.

Except as otherwise expressly stated, this letter of credit is subject to the Uniform Customs and Practice for Documentary Credit (1993 Revision) International Chamber of Commerce Publication No.500, or any revision thereto.

Very Truly Yours,
Community South
Donny Turnbow
City President
P.O. BOX 69
Savannah, TN. 38372

APPROVAL AND ENDORSEMENT

This to certify that I have examined the foregoing letter of credit and found the same to be sufficient and in conformity to law and that the same has been filed with the Tennessee Regulatory Authority, State of Tennessee, this 13th day of March, 2006

Name

Title

Donny Turnbow
City President