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December 14, 2005

T.R.A. DOCKET ROOM

*IN RE: Application of Bristol Tennessee
Essential Services for a Certificate of
Convenience and Necessity to Provide
Competing Telecommunications Services*

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Docket No.: 05-00251

**BRISTOL TENNESSEE ESSENTIAL SERVICES RESPONSE TO UNITED
TELEPHONE-SOUTHEAST, INC'S FIRST SET OF INTERROGATORIES AND
REQUESTS FOR PRODUCTION OF DOCUMENTS**

Bristol Tennessee Essential Services ("BTES") hereby submits the following responses to the First Set of Interrogatories and Requests for Production of Documents from United Telephone-Southeast, Inc. ("UTSE") filed in this docket on November 30, 2005.

GENERAL OBJECTIONS

BTES makes the following general objections, which apply to each of UTSE's Interrogatories and other discovery requests ("Discovery Request"):

A. BTES objects to the Discovery Requests to the extent they seek to impose obligations beyond the requirements of the Tennessee Rules of Civil Procedure. TRA Rule 1220-1-2-.11 requires that discovery in contested cases before the TRA be "effectuated in accordance with the Tennessee Rules of Civil Procedure [TRCP]."

B. BTES objects to the request to the extent it seeks to impose an obligation on BTES to respond on behalf of parents, subsidiaries, affiliates or other persons that are not parties to this case on the grounds that such request is overly broad, unduly burdensome, oppressive, and not permitted by applicable discovery rules.

C. BTES objects to the Discovery Requests to the extent they call for information that is exempt from discovery by virtue of the attorney-client privilege, the work product doctrine, or other applicable privilege. BTES further objects to the extent that the definition of "Representatives" in UTSE's Interrogatories seek information in the possession of counsel and that is exempt from discovery by virtue of any such privilege.

RESPONSES

1) Please provide all business plans submitted by the Bristol Tennessee Electric System or BTES to the State of Tennessee Comptroller (Comptroller) including the plan submitted September 27, 2004 and the plan returned to BTES by way of letter dated July 27, 2004.

RESPONSE: BTES objects to this question on the grounds that the requested information is neither relevant nor likely to lead to the discovery of relevant information.

The business plan submitted September 28, 2004,¹ referred to in this question was filed with the Comptroller pursuant to T.C.A. §7-52-602. That statute permits municipal electric companies to offer cable television and internet services, but the services permitted "do not include telephone . . . and telecommunications services permitted under part 4 of this Chapter." T.C.A. §7-52-601(6). The business plan submitted September 28, 2004, therefore contains no relevant information about BTES's proposed telecommunications services which are the subject of this application proceeding.²

¹ The question refers to a plan submitted "September 27, 2004," but is presumably intended to refer to the plan filed on September 28.

² Although the Comptroller's response to BTES (letter dated October 7, 2004) refers to the development of a "broadband telecommunications network" by BTES, the letter is describing BTES's proposed broadband Internet and cable television service, not its proposed telephone services. This intention is also reflected in paragraphs numbered "5" and "6" which project rates and numbers of customers for Internet and cable television services but makes no reference to telephone services.

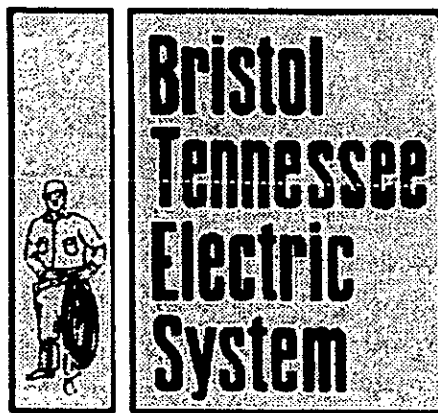
The other business plan referred to in this question was also filed with the Comptroller pursuant to T.C.A. §7-52-601. Because the plan erroneously included a description of BTES's proposed telephone services along with the description of BTES's proposed Internet and cable television services, the Comptroller determined that the business plan went beyond the scope of the statute (see T.C.A. §7-52-601(b), stating that the "services permitted by this part do not include telephone . . . and telecommunications services . . ."). The Comptroller rejected the business plan and returned it to BTES. BTES revised the business plan to remove all information regarding BTES's proposed telephone services and filed the amended plan with the Comptroller on September 28, 2004. BTES did not retain any copies of the original, rejected plan.

Although BTES objects to the relevancy of the business plan filed on September 28, 2004, the plan, as filed, is a matter of public record and, as a courtesy to UTSE and without waiving the relevancy objection, BTES has enclosed a copy of that plan.

Bristol Tennessee Electric System

Business Plan

For the Purpose of Providing Broadband Services



Submitted to:

Mr. David H. Bowling, Director
Division of Local Finance
Office of the Comptroller of the Treasury
State of Tennessee
1700 James K. Polk State Office Building
505 Deaderick Street
Nashville, Tennessee 37243-9274

September 27, 2004

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INTRODUCTION

Bristol Tennessee Electric System (BTES), a municipally owned electric utility, desires to provide cable service, two-way video transmission, video programming, internet services and other similar services to residences and businesses of the BTES service area. BTES hereby submits a detailed Broadband Business Plan to the Office of the Comptroller of the Treasury for the State of Tennessee. (Chapter 481, Tennessee Public Acts of 1999; Tennessee Code Annotated Title 7, Chapter 52, Part 6.)

BTES plans to provide cable and internet services to end-use residential and commercial customers. These services will be provided through a broadband business unit of BTES, which will achieve accounting separation from its electric service.

Conditions of the Business Plan

The Business Plan meets the following conditions:

Condition 1

The services in this filing do not include telephone, telegraph and telecommunications services, which are permitted under the authority of Title 7, chapter 52, Part 4, Tennessee Code Annotated.

Condition 2

The proposed plan does not serve any area where a privately-held cable television operator is providing cable service over a cable system and in total serves 6,000 or fewer subscribers over one or more cable systems.

Condition 3

The proposed plan does not serve any area where there is an existing telephone cooperative that has been providing cable service for not less than ten (10) years under the authority of the Federal Communications Commission.

Condition 4

The detailed Business Plan is hereby submitted to the Office of the Comptroller of the Treasury by Bristol Tennessee Electric System upon the approval and at the direction of the governing board.

Governance

Bristol Tennessee City Council

Bristol, Tennessee is led by a five-member City Council, which includes:

Mayor James E. Messimer
Vice Mayor John S. Gaines, Ed.D.
Trish Bane
David K. Shumaker
William L. Bingham

Bristol Tennessee Electric System Power Board Members

City Council appoints a five-member Power Board to oversee the activities of Bristol Tennessee Electric System. Current Power Board Members include:

Patrick W. Hickie, Jr., CPA(Chairman)	Term expires 2006
Bryan K. Boyd (Vice Chairman)	Term expires 2008
Pereda R. "Pete" Paty	Term expires 2005
John S. Gaines, Ed.D. (City Council Representative)	Term expires 2005
J. Scott MacMorran	Term expires 2007

General Manager

R. Michael Browder, Ed.D., P.E.

Management Statement

Bristol Tennessee Electric System (BTES) is the local power provider, serving more than 31,000 residential and commercial customers in Bristol, Tennessee and the surrounding area. BTES is municipally owned and governed by a five-member board of directors, which is appointed by the Bristol Tennessee City Council. BTES has a 280-square-mile service area in Bristol, Tennessee, Sullivan County, Tennessee and Washington County, Virginia.

The Telecommunications Act of 1996 was intended to foster competition in telecommunications at all levels and to make it easier for new entrants to provide new and innovative services at competitive rates. This vision has not come to fruition in many areas, including Bristol, Tennessee. Incumbent players continue to focus on maximizing profits.

Citizens in the BTES service area have experienced increased costs for cable and internet services. These customers deserve the most reliable, high-quality service available and competitive pricing. Additionally, Bristol Virginia Utilities, which is adjacent to the BTES service area, provides cable, internet and telephone services to its customers and has been successful in competing with the incumbent providers. This has resulted in customer benefits such as increased provider choice and cost savings. BTES customers have indicated they desire the same opportunity.

Many electric utility companies across the country currently offer a variety of broadband and telecommunications services. This Business Plan outlines the feasibility of BTES offering internet and cable television services to its customers in a competitive manner.

In November 2002, the Bristol Tennessee City Council requested that Bristol Tennessee Electric System study the feasibility of entering these markets. A fiber-to-the-user broadband network is capable of delivering each of these services and is feasible at this time. A Business Plan has been prepared with supporting financial projections and market data that verifies the soundness of an investment in a state-of-the-art broadband network for the Bristol community.

This plan outlines many reasons that BTES should enter the cable TV/Internet business. Primary among them is the essential nature of broadband communications. Sixty years ago when BTES began, Bristol Tennessee had many areas that lacked electricity. Private power providers did not serve less densely populated areas because it was not economically beneficial. A similar situation exists today with broadband communications.

Private companies view less densely populated areas as less than profitable. For example, the incumbent cable company has not provided fiber access to industries in Bristol Tennessee's industrial park, effectively prohibiting the option of affordable broadband communication. Affordable broadband communication is becoming an essential service, instead of a luxury, because it is becoming the preferred way information is transported today.

Additionally broadband communication will help economic development efforts and have a potential positive impact on current electric customers.

Seaports, then train stations, then airports drove economic development. In the near future economic growth will be driven by data ports. Bristol Tennessee needs affordable broadband in order to position itself for growth.

Economic Development

Bristol Tennessee Electric System is committed to the economic vitality of the Bristol community in an effort to improve the quality of life for our customers. In today's economy, businesses expect a robust, cost effective internet system for conducting business. Bristol is well suited for small and large industry, including scenic beauty, recreation, good school systems and numerous colleges and universities. The infrastructure being considered will be an essential tool in the recruitment and retention of business and industry for the future.

Impact on Electric Customers

The broadband infrastructure, along with the associated components and electronics, will allow BTES to provide better service to existing electric customers. Power outages will be detected immediately, resulting in increased reliability through quicker restoration of power. Theft detection will be seamless. This infrastructure will also enable BTES to utilize advanced broadband applications in its core electric system operations and will further enable BTES to provide its customers advanced broadband applications in connection with their electric service. These applications could include real time pricing, load control, remote connections and disconnections of electric service, remote meter reading as well as other future communications-based services and applications.

This positive impact will be realized by all electric customers, whether they choose to use these additional services or not. The cost savings from fewer outages, load control and other measures will be shared by all electric customers. Additionally, although every customer in a particular area may not have fiber to their home, the flow of information from those who do will allow BTES to better manage power outages and restore power for everyone much faster. BTES will not be dependent on customer phone calls alone for outage reporting.

Bristol Tennessee Electric System
Meeting of the Board of Directors
July 21, 2004

Background:

Bristol Tennessee Electric System is authorized to provide broadband services by the Tennessee General Assembly in Tennessee Code Annotated, Title 7, Chapter 52, Part 4 (telephone and telecommunications services) and Part 6 (cable, internet and related services). This authorization allows Bristol Tennessee Electric System to provide cable television, high-speed data, including internet access, and telephone services along with any other communication services desired by the community, including the right to secure financing for these ventures.

In November 2002, the Bristol Tennessee City Council requested that Bristol Tennessee Electric System study the feasibility of entering the cable business. A fiber-to-the-user broadband network is capable of delivering each of these communication services and is feasible at this time. A Business Plan has been prepared with supporting financial projections and market data that verifies the soundness of an investment in a state-of-the-art broadband telecommunications network for the Bristol community.

Approved Resolution:

*Resolution approving submittal of the Broadband Business Plan to the
Comptroller of the Treasury for the State of Tennessee.*

WHEREAS, the Bristol Tennessee City Council requested that Bristol Tennessee Electric System study the feasibility of offering cable television services, and

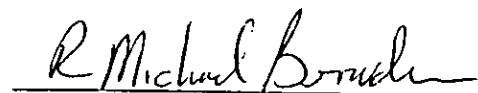
WHEREAS, Bristol Tennessee Electric System studied the feasibility and prepared a Business Plan for offering such communication services for submission to the Comptroller of the Treasury for the State of Tennessee.

NOW THEREFORE, BE IT RESOLVED, by the BTES Power Board, on July 21, 2004, a quorum being present, that Bristol Tennessee Electric System intends to pursue the opportunity associated with the construction and operation of a broadband network that will provide cable television and other communication services.

BE IT FURTHER RESOLVED, that the General Manager is directed to submit the above-described Business Plan to the Comptroller of the Treasury for review and comment.

ADOPTED this 21ST day of July, 2004.


Patrick W. Hickie, Jr., Chairman


R. Michael Browder, Secretary/Treasurer

Overview of Service Area

Bristol is a part of the Johnson City-Kingsport-Bristol (Tri-Cities) Metropolitan Statistical Area (MSA), the 111th largest U.S. MSA. Bristol Tennessee Electric System has more than 27,000 residential and nearly 4,000 commercial customers in the city limits of Bristol, Tennessee, Sullivan County, Tennessee and Washington County, Virginia.

Commercial and industrial customers in the area have a need for more choices, better service and state-of-the-art technology. Reliability is also a key concern for this sector.

Price is not the only concern for business customers. These businesses require a network that provides a measurable return on investment, whether through reduced costs or increased productivity.

There are 19 substations strategically located throughout the BTES service area. Through the use of the existing fiber network, data is continually received at the BTES Service Center and certain functions related to the substations are controlled from the Service Center.

Organizational Structure

BTES is structured in a way that supports a broadband business unit in addition to its existing electric business unit. Although broadband and electricity will be separate business units, both lines of business can use many of the same resources, which will be allocated and accounted for appropriately, therefore reducing the costs of all business units.

The experience and expertise currently available at BTES provide the broadband business unit a quality staff with organizational and technical knowledge without hiring numerous high-dollar employees. The General Manager manages the organization, selecting and managing all key staff and the day-to-day operations.

The management team consists of four directors, who report directly to the General Manager. Key areas of responsibility are managed as follows:

- The **Director of Accounting and Finance** is responsible for the development of all accounting and financial control policies and auditing functions, all official accounting records and management of financial resources.
- Responsibilities of the **Director of Management Services** include human resources, employee relations, customer and public relations and customer service.
- The **Director of Operations and Safety** oversees construction, contract employees, transportation and meters and substations.
- The **Director of Engineering** manages all phases of engineering, planning, construction and maintenance of facilities required for present and future electrical loads and fiber communications. The department engineered and designed the fiber optic system that provides communications and data transfer between 19 BTES substations and the office.

Additionally, the **Supervisor of Purchasing and Stores** is responsible for materials and supplies, housekeeping, building maintenance, tree trimming, meter reading and maintenance of all BTES grounds. Employees in each of these departments are cross-trained and prepared to use their skills within the broadband business unit. Costs related to these employees will be allocated to the appropriate business unit.

While existing engineering and construction employees have experience designing and installing a fiber optic cable system for electric system uses, contract employees will be used for the initial design and installation of the fiber-to-the-user system being proposed in this plan. Costs for such contractors have been included.

For many years, BTES has assigned costs according to Federal Energy Regulatory Commission (FERC) guidelines using multiple accounts. Any non-electric costs for employees or other expenses incurred will be assigned to appropriate accounts in a similar manner.

Network Plan

BTES will select a network architecture that will allow for future growth and opportunities. Traditional networks are limited in the amount of bandwidth delivered to each end user. Fiber-to-the-user (FTTU) will provide a "future resistant" network, and is the basis of this plan. Current providers utilize hybrid fiber coax (HFC) or digital subscriber line (DSL) technologies; however, DSL coverage is not universally available in the BTES service area.

DSL uses existing copper telephone lines for data transmission. While it has advantages such as being a dedicated line (not shared with other users), it has distance limitations. The user must be located within 18,000 feet (3.4 miles) of a central office. Additionally, the speed of data transmission slows over distance.

Network architecture is a major influence on the overall cost of the system. It can determine or even limit the types of services offered. Residential customers may not have the same requirements as business customers. Fiber optic networks allow the provider to serve both types of customers and meet the needs of each group.

We have identified the Passive Optical Network (PON) architecture as the best fit for the offering of multiple services. This architecture has the ability to offer cable television and Internet over a single fiber connected directly to a customer location. Moreover, the customer is presented with a familiar RJ-45 Ethernet connection for data and a standard coaxial connector for television. In a Passive Optical Network, an active (powered) device sends the signal over a single fiber toward the subscribers to be served. The optical signal is split using passive components in the field to provide service for multiple customers. The optical signal in a Passive Optical Network is comprised of three wavelengths of light. The first wavelength is for downstream data. The second wavelength is for upstream data. The third wavelength is used for the downstream cable television signal.

APON is an Asynchronous Transfer Mode (ATM) based Passive Optical Network (PON). The current reach of this architecture is 20km from the active device to the subscriber. Each active device can serve 36 PONs with one fiber per PON. Each PON can serve 32 customers with fiber splits within the PON for a total of 1,152 customers served per active device.

Services would be transported from the BTES Service Center to active devices in the substations using an OC-12 or OC-48 ATM Network. The ATM network will provide fault tolerance for the network backbone in the event of a fiber cut. The fiber backbone passes by many residential and commercial developments in the BTES Service Area, which allows for attachment to the existing fiber plant.

The BTES Service Center will provide an interconnect point for Internet and cable television services. BTES currently has a fiber connection for Internet access, with the ability to scale upward to a DS3 (45Mb/s). Other ISPs could co-locate and provide service via this fiber or other

means. The CATV feed would be inserted at the BTES Service Center for distribution throughout the network.

Each home or business will have a network interface device (NID) attached near the electric meter. This device will allow for termination of the fiber and will provide the CATV and Ethernet connections to the house. Each home will need to have standard coaxial cable for television access and Category 5 cable for Ethernet access.

BTES is also working to connect city government buildings to the fiber network. The plan for this network is to use the existing gigabit Ethernet network for virtual local area network (VLAN) access to each of the city government buildings. This will allow for enhanced security and reliability for the city government's network. Other businesses could be connected using this same model for similar Internet-based services.

Financial Projections

The financial projections included in the Broadband Business Plan were prepared under the assumption that the construction and operation of the broadband network and the associated business would be developed as a business unit of Bristol Tennessee Electric System. Customers of both business units will benefit from cost savings because of shared resources. The cost of these shared resources will be properly allocated to each business unit. There are additional savings realized from the synergy of multiple business units sharing services. These shared savings are not reflected in this analysis.

The implementation of the Broadband Business Plan as set forth anticipates that the broadband business unit will operate as a "stand alone" entity and, therefore, the Business Plan does not contemplate that the project will have any negative impact on the existing electric business unit. Rather, the proposed business unit has the potential of having a positive impact on this existing business unit.

Overview of Service Offerings and Pricing Structure

SERVICE	PRICE
<i>Cable Television</i>	
Expanded Basic Cable	\$36.75
Digital Enhanced Package	\$49.95
Additional Premium Channel Packages	\$10.52
Digital Supreme Package	\$69.95
HD TV	\$13.95
Digital Video Recording	\$9.95
<i>Internet</i>	
Dial Up	\$14.95
Internet Silver (512K)	\$26.36
Internet Gold (1.5Mg)	\$38.95
Internet Platinum (2Mg)	\$44.95
<i>Business Services</i>	
Business Internet Services	Several options available.
Business Cable Television	\$40.00

The above prices are competitive with local providers and comparable with other utilities providing services.

Residential Cable Television Services

Expanded Basic Cable (\$36.75)

- 75+ channels

Digital Enhanced Package (\$49.95)

- 75+ channels of Expanded Basic Cable
- 34 channels of Pay Per View (PPV) movie access and 6 Channels of ESPN Sports PPV access
- 45 channels of digital music
- 37 channels of digital programming including sports channels and additional movie channels such as Fox Movie Channel and specialty children's programming channels
- One digital set top box

Premium Channel Packages (\$10.52 each)

Add any one of the following packages to your Digital Enhanced Package:

1. HBO East, HBO West, HBO Plus, HBO Signature, HBO Family, HBO Comedy, HBO Zone and HBO Latino
2. Cinemax East, Cinemax West, More Max, Action Max and Thriller Max
3. Showtime East, Showtime West, Showtime Too, Showtime Showcase, Showtime Extreme, Showtime Beyond and FLIX
4. The Movie Channel, TMC Xtra
5. STARZ East, STARZ West, STARZ Theater, Black STARZ, STARZ Family, STARZ Cinema, STARZ Kids, WAM!, Encore, Encore Action, Encore Love, Encore Mystery, Encore True Stories and Encore Westerns

Digital Supreme Package (\$69.95)

- Digital Enhanced Package
- ALL Premium Channel Packages (listed above)

HDTV (\$13.95)

Digital Video Recording (\$9.95)

Residential Cable Television Services

Customer Base		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Total Homes Passed		5000	10000	15000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000
Penetration Rate		35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Total Homes Served		1750	3500	5250	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000
Average Homes Served		875	2625	4375	6125	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000

Number of Customers		Take Rate																			
Expanded Basic Package		438	1313	2188	3063	3500	3500	3500	3500	3500	3500	3500	3500	3500	3500	3500	3500	3500	3500	3500	3500
Digital Enhanced Package		350	1050	1750	2450	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800	2800
Digital Supreme Package		88	263	438	613	700	700	700	700	700	700	700	700	700	700	700	700	700	700	700	700
Premium Channel Packages		175	525	875	1225	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400	1400
HDTV		9	26	44	61	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70	70
Digital Video Recording		28	85	142	199	228	228	228	228	228	228	228	228	228	228	228	228	228	228	228	228

Revenue																					
Expanded Basic Package	\$36.75	\$192,938	\$578,813	\$964,688	\$1,350,563	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500	\$1,543,500
Digital Enhanced Package	\$49.95	\$209,790	\$629,370	\$1,048,950	\$1,468,530	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320	\$1,678,320
Digital Supreme Package	\$69.95	\$73,448	\$220,343	\$367,238	\$514,133	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580	\$587,580
Premium Channel Packages	\$10.52	\$22,092	\$66,276	\$110,460	\$154,644	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736	\$176,736
HDTV	\$13.95	\$1,465	\$4,394	\$7,324	\$10,253	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718	\$11,718
Digital Video Recording	\$9.95	\$3,395	\$10,186	\$16,977	\$23,768	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164	\$27,164
Total Revenue		\$503,127	\$1,509,382	\$2,515,636	\$3,521,890	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018

Costs of Goods Sold																					
Expanded Basic Package	\$16.24	\$85,260	\$255,780	\$426,300	\$596,820	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080	\$682,080
Digital Enhanced Package	\$19.71	\$82,782	\$248,346	\$413,910	\$579,474	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256	\$662,256
Digital Supreme Package	\$46.93	\$49,277	\$147,830	\$246,383	\$344,936	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212	\$394,212
Premium Channel Packages	\$5.00	\$10,500	\$31,500	\$52,500	\$73,500	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000
HDTV	\$2.00	\$210	\$630	\$1,050	\$1,470	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680	\$1,680
Digital Video Recording	\$2.00	\$683	\$2,048	\$3,413	\$4,778	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460	\$5,460
Total Costs of Goods Sold		\$228,711	\$686,133	\$1,143,555	\$1,600,977	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688

Gross Margin	\$274,416	\$823,249	\$1,372,081	\$1,920,913	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330	\$2,195,330
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Residential Internet Services

Dial Up Internet Service (\$14.95)

- 4 secure email accounts
- 4 Mb of disk space for your own personal web site
- USENet news

High Speed Internet Service

- Silver Service - Download speed of up to 512K. Upload speed of up to 256K. – (\$26.36)
- Gold Service - Download speed of up to 1.5 Megs. Upload speed of up to 256K. – (\$38.95)
- Platinum Service - Download speed of up to 2 Megs. Upload speed of up to 256K. – (\$44.95)

Each of the above packages includes:

- 4 secure email addresses
- 5 Megs of disk space
- USENet News

Residential Internet Services

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Customer Base																				
Total Homes Passed	5000	10000	15000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000	20000
Penetration Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%	35%
Total Homes Served	1750	3500	5250	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000
Average Homes Served	875	2625	4375	6125	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000	7000
Number of Customers																				
Dial Up	88	263	438	613	700	700	700	700	700	700	700	700	700	700	700	700	700	700	700	700
Internet Silver/ 512K	131	394	656	919	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050
Internet Gold/ 1.5Mg	131	394	656	919	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050
Internet Platinum/ 2Mg	131	394	656	919	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050	1050
Revenue																				
Dial Up	\$15,698	\$47,093	\$78,488	\$109,883	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580	\$125,580
Internet Silver/ 512K	\$41,517	\$124,551	\$207,585	\$290,619	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136	\$332,136
Internet Gold/ 1.5Mg	\$61,346	\$184,039	\$306,731	\$429,424	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770	\$490,770
Internet Platinum/ 2Mg	\$70,796	\$212,389	\$353,981	\$495,574	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370	\$566,370
Total Revenue	\$189,357	\$568,071	\$946,785	\$1,325,499	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856
Costs of Goods Sold																				
Dial Up	\$2,100	\$6,300	\$10,500	\$14,700	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800
Internet Silver/ 512K	\$7,875	\$23,625	\$39,375	\$55,125	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000	\$63,000
Internet Gold/ 1.5Mg	\$9,450	\$28,350	\$47,250	\$66,150	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600	\$75,600
Internet Platinum/ 2.5Mg	\$11,025	\$33,075	\$55,125	\$77,175	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200	\$88,200
Total Costs of Goods Sold	\$30,450	\$91,350	\$152,250	\$213,150	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600
Gross Margin	\$158,907	\$476,721	\$794,535	\$1,112,349	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256	\$1,271,256

Business Services

Cable Television (\$40.00)

Business High Speed Internet Service includes:

- 4 secure email accounts
- 1 static IP address
- Unlimited Users

Choice of the following packages:

- **512K Service (\$40.46)**
Download speed of up to 512K/Upload speed up to 256K
- **1.5Meg Service (\$76.46)**
Download speed of up to 1.5 Megs/Upload speed up to 384K
- **3 Meg Service (\$134.96)**
Download speed of up to 3 Megs/Upload speed up to 512K

Capital Expenditures

The network being constructed will pass approximately 20,000 homes in the Bristol Tennessee Electric System service area. Experienced installers will be utilized internally and on a contract basis for connecting customers to the network. Construction will consist of a phased implementation, with approximately a four-year build out. Capital expenditures related to the build out will be fully allocated and are outlined below.

Capital Expenditures	Year 1	Year 2	Year 3	Year 4
Head-End				
CATV Equipment, w/ satellite dishes	\$ 1,150,000			
BRAS	\$ 175,000			
Video Optical Transport (EDFAs)	\$ 450,000			
Internet Transport	\$ 333,000			
FTTH				
OLT (includes all BPON cards), Gateway, WDM, Software	\$ 1,573,386			
Installation/Misc	\$ 250,000			
ONT (with outdoor power supply)	\$ 1,254,750	\$ 1,254,750	\$ 1,254,750	\$ 1,254,750
B-ONT	\$ 300,000	\$ 75,000	\$ 75,000	\$ -
Outside Plant (w/Turnkey Services, Project Management and Engineering)				
Total OSP Cost	\$ 3,978,724	\$ 3,787,235	\$ 3,723,405	\$ 3,723,405
Digital Set Top Box Cost	\$ 179,988	\$ 171,325	\$ 168,438	\$ 168,438
Billing System	\$ 100,000			
Purchase of Existing Fiber	\$250,000	\$250,000	\$250,000	\$250,000
Total Capital Infrastructure Costs	\$ 9,994,848	\$ 5,538,310	\$ 5,471,593	\$ 5,396,593

Operation & Maintenance Expenses

BTES will directly assign costs to operations and maintenance expenses whenever possible. This direct assign will occur through the use of timesheets or the direct relationship of expenses to the broadband business unit.

Costs that cannot be directly assigned to a specific business unit will be described as common costs. BTES will allocate common costs based on a direct analysis of the origin of the costs. For example, if costs are directly related to the number of bills issued, BTES will allocate the costs based on number of bills issued by each business unit. When direct analysis is not possible, BTES will allocate common cost categories based on an indirect, cost-causative linkage to another category for which a direct assignment is available.

When neither direct nor indirect measures of cost causation can be identified, BTES will allocate the cost category using a general allocator. The numerator of the general allocator is all operation and maintenance expenses directly and indirectly assigned to each business unit, excluding the cost of electricity and programming, and the denominator is the total operation and maintenance expenses of BTES, excluding the cost of electricity and programming.

The estimated operation and maintenance expenses assigned to the broadband business unit are shown on the following page.

Operation & Maintenance Expenses***

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Materials & Equipment																				
Truck & Equipment	\$18,000	\$18,360	\$18,727	\$19,102	\$19,484	\$19,873	\$20,271	\$20,676	\$21,090	\$21,512	\$21,942	\$22,381	\$22,828	\$23,285	\$23,751	\$24,226	\$24,710	\$25,204	\$25,708	\$26,223
Materials	\$30,000	\$30,600	\$31,212	\$31,836	\$32,473	\$33,122	\$33,785	\$34,461	\$35,150	\$35,853	\$36,570	\$37,301	\$38,047	\$38,808	\$39,584	\$40,376	\$41,184	\$42,007	\$42,847	\$43,704
Total	\$48,000	\$48,960	\$49,939	\$50,938	\$51,957	\$52,996	\$54,056	\$55,137	\$56,240	\$57,364	\$58,512	\$59,682	\$60,876	\$62,093	\$63,335	\$64,602	\$65,894	\$67,212	\$68,556	\$69,927
Miscellaneous Expenses:																				
Billing Services	\$11,220	\$33,180	\$54,720	\$76,260	\$87,000	\$87,000	\$88,740	\$90,515	\$92,325	\$94,172	\$96,055	\$97,976	\$99,936	\$101,934	\$103,973	\$106,053	\$108,174	\$110,337	\$112,544	\$114,795
Administrative Expenses*	\$33,660	\$99,540	\$164,160	\$228,780	\$261,000	\$261,000	\$266,220	\$271,544	\$276,975	\$282,515	\$288,165	\$293,928	\$299,807	\$305,803	\$311,919	\$318,158	\$324,521	\$331,011	\$337,631	\$344,384
Repair/Maintenance	\$22,440	\$66,360	\$109,440	\$152,520	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000
Marketing	\$80,000	\$33,180	\$54,720	\$76,260	\$87,000	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500	\$43,500
Building Rent**	\$19,200	\$19,200	\$19,200	\$19,200	\$19,872	\$19,872	\$19,872	\$19,872	\$20,568	\$21,287	\$22,032	\$22,804	\$23,602	\$24,428	\$25,283	\$26,168	\$27,083	\$28,031	\$29,013	\$30,028
Total	\$166,520	\$251,460	\$402,240	\$553,020	\$628,872	\$585,372	\$592,332	\$599,431	\$607,368	\$615,474	\$623,753	\$632,208	\$640,844	\$649,665	\$658,675	\$667,878	\$677,278	\$686,880	\$696,688	\$706,707

*Includes the allocated cost of administrative expenses including the following employees (salary and benefits)

- General Manager
- Director of Accounting & Finance
- Director of Management Services
- Director of Operations & Safety
- Director of Engineering
- Lead Customer Service Representative
- Accounting Secretary
- Customer Service Representative
- Maintenance Personnel
- Business Development Manager
- Supervisor of Purchasing & Stores
- Network Supervisor
- Project Coordinator
- Administrative Secretary
- General Accountant

**Building rent was estimated based on a previous tenant's use of the space

***These costs are based on number of customers for estimate purposes only.

Costs will be assigned as actual expenses are incurred.

Directly Assigned Employees

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Employee Breakdown																					
Technicians		3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Annual Salary*		\$50,000	\$51,500	\$53,045	\$54,636	\$56,275	\$57,964	\$59,703	\$61,494	\$63,339	\$65,239	\$67,196	\$69,212	\$71,288	\$73,427	\$75,629	\$77,898	\$80,235	\$82,642	\$85,122	\$87,675
Customers Service Representative:		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Annual Salary*		\$35,000	\$36,050	\$37,132	\$38,245	\$39,393	\$40,575	\$41,792	\$43,046	\$44,337	\$45,667	\$47,037	\$48,448	\$49,902	\$51,399	\$52,941	\$54,529	\$56,165	\$57,850	\$59,585	\$61,373
Help Desk Personnel		2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Annual Salary*		\$35,000	\$36,050	\$37,132	\$38,245	\$39,393	\$40,575	\$41,792	\$43,046	\$44,337	\$45,667	\$47,037	\$48,448	\$49,902	\$51,399	\$52,941	\$54,529	\$56,165	\$57,850	\$59,585	\$61,373
Management		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Annual Salary*		\$80,000	\$82,400	\$84,872	\$87,418	\$90,041	\$92,742	\$95,524	\$98,390	\$101,342	\$104,382	\$107,513	\$110,739	\$114,061	\$117,483	\$121,007	\$124,637	\$128,377	\$132,228	\$136,195	\$140,280

*Based on 3% annual increase and includes benefits.

Payroll																					
Technicians		\$150,000	\$154,500	\$159,135	\$163,909	\$168,826	\$173,891	\$179,108	\$184,481	\$190,016	\$195,716	\$201,587	\$207,635	\$213,864	\$220,280	\$226,888	\$233,695	\$240,706	\$247,927	\$255,365	\$263,026
Customer Service Reps		\$70,000	\$72,100	\$74,263	\$76,491	\$78,786	\$81,149	\$83,584	\$86,091	\$88,674	\$91,334	\$94,074	\$96,896	\$99,803	\$102,797	\$105,881	\$109,058	\$112,329	\$115,699	\$119,170	\$122,745
Help Desk Personnel		\$70,000	\$72,100	\$74,263	\$76,491	\$78,786	\$81,149	\$83,584	\$86,091	\$88,674	\$91,334	\$94,074	\$96,896	\$99,803	\$102,797	\$105,881	\$109,058	\$112,329	\$115,699	\$119,170	\$122,745
Management		\$80,000	\$82,400	\$84,872	\$87,418	\$90,041	\$92,742	\$95,524	\$98,390	\$101,342	\$104,382	\$107,513	\$110,739	\$114,061	\$117,483	\$121,007	\$124,637	\$128,377	\$132,228	\$136,195	\$140,280
Total Payroll		\$370,000	\$381,100	\$392,533	\$404,309	\$416,438	\$428,931	\$441,799	\$455,053	\$468,705	\$482,766	\$497,249	\$512,167	\$527,532	\$543,357	\$559,658	\$576,448	\$593,741	\$611,554	\$629,900	\$648,797

Market Analysis

A recent survey conducted for BTES demonstrated that an overwhelming majority – more than three quarters - of BTES customers surveyed were in favor of BTES providing cable television and Internet service. Clearly, the subscriber base feels a need for choice and more competitive rates. (See Appendix F)

The utility in Bristol Virginia (BVU) has a much higher penetration percentage (nearly 50 percent) than its original projection. That penetration percentage was reached during its first year of offering cable television, Internet and telephone. Based on BVU's performance, the BTES survey results and the similar demographics between the border cities, Bristol Virginia and Bristol Tennessee, BTES feels confident in projecting a 35 percent take rate.

Residents in areas that demonstrate the most interest in cable TV/Internet services will receive service first. Interest will be measured either through a petition process or commitment contract system.

Upon entering the Broadband Business, BTES can expect changes in the market. The following is expected and anticipated from incumbent providers:

- Rate reductions – Big cable companies can take a loss in one region and make it up in another.
- Change in service offerings in an effort to compete.
- Bounties – Cable companies have been known to pay up to \$200 for subscribers to switch back.
- Publicity – Print and TV ads to attempt to sway customers with misinformation.

Marketing Plan

The main concern will be to provide the best services in a quick, efficient manner. Customer satisfaction will generate positive word-of-mouth promoting BTES's cable television and Internet services.

Word-of-mouth will not be sufficient. Other marketing efforts are planned.

The first priority will be promotional pieces that outline the services offered and the cost.

Traditional marketing used by BTES will be continued including:

- Newspaper
- BTES Newsletter – 27,000+ circulation
- Radio
- Television
- Internet

Each of the above items have been included in the budgeting process and directly allocated to the appropriate business unit.

Financial Analysis

BTES will offer broadband services to BTES customers at a competitive cost while maintaining the financial integrity of the organization. Legislation is in place that prevents BTES from cross subsidizing. Electric system revenue cannot and will not be used to offset the costs of providing broadband services.

However, the electric system has the option of loaning money to the broadband business unit, and the electric system must pay for the services received from the broadband business unit. These items are reflected in the budget.

This Business Plan takes into consideration the following variables, which are very conservative in nature:

- 35% take rate – percentage of customers taking service
- 20,000 homes passed
- Approximately 150 installations per month
- Four-year build out of infrastructure

The basis of this Business Plan is as follows:

- A particular equipment vendor has been used for budgetary purposes.
- Fiber-to-the-User technology is assumed.
- Customer costs will only increase as programming costs increase, keeping the gross margin relatively stable over time.

Condensed Statements of Revenues and Expenses

Revenue:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Operating Revenue																				
Cable Television	\$503,127	\$1,509,382	\$2,515,636	\$3,521,890	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018	\$4,025,018
Internet	\$189,157	\$568,071	\$946,785	\$1,325,499	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856	\$1,514,856
Business Services	\$86,400	\$201,600	\$266,400	\$331,200	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000	\$360,000
Total Operating Revenue	\$778,884	\$2,279,053	\$3,728,821	\$5,178,589	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874	\$5,899,874
Cost of Goods Sold																				
Cable Television	\$228,711	\$686,133	\$1,143,555	\$1,600,977	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688	\$1,829,688
Internet	\$30,450	\$91,350	\$152,250	\$213,150	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600	\$243,600
Business Services	\$49,046	\$114,442	\$151,226	\$188,011	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360	\$204,360
Total Cost of Goods Sold	\$308,207	\$891,925	\$1,447,031	\$2,002,138	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648	\$2,277,648
Gross Profit	\$470,677	\$1,387,128	\$2,281,790	\$3,176,451	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226	\$3,622,226
Other Operating Revenue																				
Late Charges	\$3,894	\$11,395	\$18,644	\$25,893	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499
Reconnect Fees	\$1,000	\$11,395	\$18,644	\$25,893	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499
Connection Fees	\$8,750	\$17,500	\$17,500	\$17,500	\$8,750	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499	\$29,499
Management of Electric Accounts	\$44,880	\$136,038	\$224,352	\$312,666	\$356,700	\$356,700	\$365,618	\$374,758	\$384,127	\$393,730	\$403,573	\$413,663	\$424,004	\$434,604	\$445,469	\$456,606	\$468,021	\$479,722	\$491,715	\$504,008
Total Other Operating Revenue	\$58,524	\$176,329	\$279,140	\$381,952	\$424,449	\$415,699	\$424,616	\$433,757	\$443,126	\$452,729	\$462,572	\$472,661	\$483,003	\$493,603	\$504,468	\$515,605	\$527,020	\$538,721	\$550,714	\$563,006
Total Revenue	\$529,201	\$1,563,456	\$2,560,930	\$3,558,403	\$4,046,674	\$4,037,924	\$4,046,842	\$4,055,982	\$4,065,351	\$4,074,954	\$4,084,798	\$4,094,887	\$4,105,228	\$4,115,829	\$4,126,694	\$4,137,830	\$4,149,246	\$4,160,946	\$4,172,939	\$4,185,232
Expenses:																				
Operating Expenses	\$214,520	\$300,420	\$452,179	\$603,958	\$680,829	\$638,368	\$646,388	\$654,568	\$663,608	\$672,838	\$682,264	\$691,890	\$701,720	\$711,758	\$722,010	\$732,479	\$743,171	\$754,091	\$765,243	\$776,634
Payroll Expense	\$370,000	\$381,100	\$392,533	\$404,309	\$416,438	\$428,931	\$441,799	\$455,053	\$468,705	\$482,766	\$497,249	\$512,167	\$527,532	\$543,357	\$559,658	\$576,448	\$593,741	\$611,554	\$629,900	\$648,797
Depreciation Expense	\$293,966	\$750,824	\$1,074,644	\$1,394,297	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,054	\$639,305	\$317,447
Amortization of Organization Expense	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Pole Attachment Fees	\$72,750	\$149,138	\$229,299	\$313,375	\$321,210	\$329,240	\$337,471	\$345,908	\$354,555	\$363,419	\$372,505	\$381,817	\$391,363	\$401,147	\$411,175	\$421,455	\$431,991	\$442,791	\$453,861	\$465,207
Taxes other than income tax	\$84,494	\$127,471	\$167,054	\$203,274	\$190,837	\$177,627	\$164,436	\$151,244	\$138,053	\$124,862	\$111,671	\$98,480	\$85,290	\$72,100	\$58,910	\$45,721	\$32,531	\$21,841	\$16,419	\$7,670
Excise tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$1,055,730	\$1,728,952	\$2,435,709	\$2,939,213	\$3,182,334	\$3,127,187	\$3,143,114	\$3,159,793	\$3,177,941	\$3,196,905	\$3,216,709	\$3,237,374	\$3,258,924	\$3,281,383	\$3,304,774	\$3,329,123	\$3,366,251	\$3,402,056	\$2,609,068	\$2,344,334
Net Operating Income	(\$526,529)	(\$165,495)	\$225,220	\$619,190	\$864,341	\$910,738	\$903,728	\$896,189	\$887,410	\$878,049	\$868,088	\$857,513	\$846,304	\$834,446	\$821,920	\$808,708	\$782,995	\$998,890	\$1,563,871	\$1,840,898
Non-Operating Revenues and Expenses																				
Interest Expense	\$800,000	\$800,000	\$800,000	\$850,327	\$1,016,624	\$960,082	\$900,640	\$838,873	\$774,934	\$708,783	\$640,359	\$569,593	\$496,417	\$420,759	\$342,547	\$281,243	\$229,292	\$175,264	\$119,075	\$60,638
Interest Income	\$0	\$180,936	\$71,253	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$9,769	\$25,375	\$41,034	\$56,092	\$69,316
Net Income:	(\$1,326,529)	(\$784,559)	(\$503,527)	(\$231,137)	(\$152,283)	(\$49,345)	\$3,088	\$57,316	\$112,477	\$169,266	\$227,730	\$287,919	\$349,887	\$413,687	\$479,373	\$537,234	\$579,077	\$864,660	\$1,500,888	\$1,849,576

Balance Sheet

ASSETS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Total Cash	\$9,046,808	\$3,562,652	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$488,473	\$1,268,728	\$2,051,694	\$2,804,576	\$3,465,796	\$4,111,191
Current Assets																				
Accounts Receivable	\$46,733	\$136,743	\$223,729	\$310,715	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992	\$353,992
Utility Plant																				
Telecommunications Plant	\$9,994,848	\$15,533,158	\$21,004,751	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343	\$26,401,343
Less Depreciation	\$293,966	\$1,044,790	\$2,119,434	\$3,513,731	\$5,066,751	\$6,619,771	\$8,172,792	\$9,725,812	\$11,278,832	\$12,831,852	\$14,384,872	\$15,937,893	\$17,490,913	\$19,043,933	\$20,596,953	\$22,149,973	\$23,702,994	\$24,962,048	\$25,601,353	\$25,918,799
Net telecommunications plant	\$9,700,882	\$14,488,368	\$18,885,316	\$22,887,612	\$21,334,592	\$19,781,572	\$18,228,552	\$16,675,531	\$15,122,511	\$13,569,491	\$12,016,471	\$10,463,451	\$8,910,431	\$7,357,410	\$5,804,390	\$4,251,370	\$2,698,350	\$1,439,296	\$799,991	\$482,544
Organizational Expense	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Less Cumulative Amortized Organization expense	\$20,000	\$40,000	\$60,000	\$80,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
TOTAL ASSETS	\$18,874,423	\$18,247,764	\$19,149,046	\$23,218,328	\$21,688,584	\$20,135,564	\$18,582,544	\$17,029,524	\$15,476,504	\$13,923,483	\$12,370,463	\$10,817,443	\$9,264,423	\$7,711,403	\$6,646,855	\$5,874,090	\$5,104,036	\$4,597,864	\$4,619,780	\$4,947,727
LIABILITIES AND EQUITY																				
Liabilities																				
Long Term Liabilities	\$20,000,000	\$20,000,000	\$19,220,000	\$18,408,800	\$17,565,152	\$16,687,758	\$15,775,268	\$14,826,279	\$13,839,330	\$12,812,904	\$11,745,420	\$10,635,236	\$9,480,646	\$8,279,872	\$7,031,067	\$5,732,309	\$4,381,602	\$2,976,866	\$1,515,940	(\$0)
Short Term Liabilities			\$2,038,184	\$7,006,802	\$6,436,910	\$5,828,250	\$5,196,549	\$4,547,059	\$3,880,251	\$3,196,066	\$2,494,406	\$1,775,187	\$1,038,336	\$283,797	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Payable	\$109,115	\$209,670	\$302,619	\$395,308	\$436,799	\$433,387	\$433,661	\$434,995	\$436,447	\$437,964	\$439,549	\$441,202	\$442,926	\$444,722	\$446,594	\$448,542	\$451,512	\$435,176	\$390,937	\$369,759
Sales Tax Payable	\$4,097	\$12,215	\$20,267	\$28,319	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340	\$32,340
Franchise Fees Payable	\$3,245	\$9,496	\$15,537	\$21,577	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583	\$24,583
Taxes Payable	84,494	127,471	167,054	203,274	190,837	177,627	164,436	151,244	138,053	124,862	111,671	98,480	85,290	72,100	58,910	45,721	44,327	94,567	120,759	136,250
Total Liabilities	\$20,200,952	\$20,358,852	\$21,763,661	\$26,064,080	\$24,686,620	\$23,182,945	\$21,626,837	\$20,016,500	\$18,351,003	\$16,628,718	\$14,847,968	\$13,007,028	\$11,104,121	\$9,137,414	\$7,593,494	\$6,283,494	\$4,934,364	\$3,563,532	\$2,084,559	\$562,931
Equity																				
Net Income	(\$1,326,529)	(\$784,559)	(\$503,527)	(\$231,137)	(\$152,283)	(\$49,345)	\$1,088	\$57,316	\$112,477	\$169,266	\$227,730	\$287,919	\$349,887	\$413,687	\$479,373	\$537,234	\$579,077	\$864,660	\$1,500,888	\$1,849,576
Retained Earnings	(\$1,326,529)	(\$2,111,088)	(\$2,614,615)	(\$2,845,752)	(\$2,998,035)	(\$3,047,380)	(\$3,044,293)	(\$2,986,977)	(\$2,874,500)	(\$2,705,234)	(\$2,477,504)	(\$2,189,585)	(\$1,839,698)	(\$1,426,011)	(\$946,638)	(\$409,404)	\$169,673	\$1,034,333	\$2,535,220	\$4,384,796
TOTAL LIABILITIES AND EQUITY	\$18,874,423	\$18,247,764	\$19,149,046	\$23,218,328	\$21,688,584	\$20,135,564	\$18,582,544	\$17,029,524	\$15,476,504	\$13,923,483	\$12,370,463	\$10,817,443	\$9,264,423	\$7,711,403	\$6,646,855	\$5,874,090	\$5,104,036	\$4,597,864	\$4,619,779	\$4,947,727

Statement of Cash Flows

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Cash Flows from Operating Activities																				
Net Income	(\$1,326,529)	(\$784,559)	(\$503,527)	(\$231,137)	(\$152,283)	(\$49,345)	\$3,088	\$57,316	\$112,477	\$169,266	\$227,730	\$287,919	\$349,887	\$413,687	\$479,373	\$537,234	\$579,077	\$864,660	\$1,500,888	\$1,849,576
Depreciation	\$293,966	\$790,824	\$1,074,644	\$1,394,297	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$1,553,020	\$639,305	\$317,447
Amortization of Organizational Expense	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Gain) or Loss on Sale of plant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in Current and Deferred Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	(\$46,733)	(\$90,010)	(\$86,986)	(\$86,986)	(\$43,277)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accounts Payable	\$109,115	\$100,555	\$92,949	\$92,689	\$41,490	(\$4,412)	\$1,274	\$1,334	\$1,452	\$1,517	\$1,584	\$1,653	\$1,724	\$1,797	\$1,871	\$1,948	\$2,970	(\$16,336)	(\$44,239)	(\$21,179)
Sales Tax Payable	\$4,097	\$8,118	\$8,052	\$8,052	\$4,021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Franchise Fees Payable	\$3,245	\$6,251	\$6,041	\$6,041	\$3,005	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Taxes Payable	84,494	42,976	39,583	36,220	(12,437)	(13,209)	(13,192)	(13,192)	(13,191)	(13,191)	(13,191)	(13,191)	(13,190)	(13,190)	(13,190)	(13,190)	(1,394)	50,240	26,192	15,491
Net Cash Provided by Operating Activities	(\$858,344)	\$54,155	\$650,757	\$1,239,175	\$1,413,540	\$1,486,054	\$1,544,190	\$1,598,479	\$1,653,758	\$1,710,612	\$1,769,143	\$1,829,402	\$1,891,441	\$1,955,313	\$2,021,075	\$2,079,013	\$2,133,673	\$2,157,618	\$2,172,146	\$2,161,335
Cash Flows from Investing Activities																				
Additions to Plant	(\$10,094,848)	(\$5,538,310)	(\$5,471,593)	(\$5,396,593)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Provided by Investing Activities	(\$10,094,848)	(\$5,538,310)	(\$5,471,593)	(\$5,396,593)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cash Flows from Financing Activities																				
Long Term Borrowing	\$20,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payment of Principal on Long-Term Borrowing	\$0	\$0	\$780,000	\$311,200	\$843,648	\$877,394	\$912,490	\$948,989	\$986,949	\$1,026,427	\$1,067,484	\$1,110,183	\$1,154,591	\$1,200,774	\$1,248,805	\$1,298,757	\$1,350,708	\$1,404,736	\$1,460,925	\$1,515,940
Net Cash Provided by Financing Activities	\$20,000,000	\$0	(\$780,000)	(\$811,200)	(\$843,648)	(\$877,394)	(\$912,490)	(\$948,989)	(\$986,949)	(\$1,026,427)	(\$1,067,484)	(\$1,110,183)	(\$1,154,591)	(\$1,200,774)	(\$1,248,805)	(\$1,298,757)	(\$1,350,708)	(\$1,404,736)	(\$1,460,925)	(\$1,515,940)
Net Change in Cash	\$9,046,808	(\$5,484,155)	(\$5,600,836)	(\$4,968,618)	\$569,892	\$608,660	\$631,701	\$649,490	\$666,809	\$684,185	\$701,660	\$719,219	\$736,851	\$754,539	\$772,270	\$780,256	\$782,966	\$752,882	\$661,221	\$645,395
Cash at Beginning of Year	\$0	\$9,046,808	\$3,562,652	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$488,473	\$1,268,728	\$2,051,694	\$2,804,576	\$3,465,796
Net Cash at End of Year	\$9,046,808	\$3,562,652	(\$2,038,184)	(\$4,968,618)	\$569,892	\$608,660	\$631,701	\$649,490	\$666,809	\$684,185	\$701,660	\$719,219	\$736,851	\$754,539	\$772,270	\$780,256	\$782,966	\$2,804,576	\$3,465,796	\$4,111,191
Line of Credit	\$0	\$0	\$2,038,184	\$4,968,618	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payment to BTES	\$0	\$0	\$0	\$0	\$569,892	\$608,660	\$631,701	\$649,490	\$666,809	\$684,185	\$701,660	\$719,219	\$736,851	\$754,539	\$772,270	\$780,256	\$782,966	\$0	\$0	\$0
Cash at End of Year	\$9,046,808	\$3,562,652	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$488,473	\$1,268,728	\$2,051,694	\$2,804,576	\$3,465,796	\$4,111,191
Bond Issue																				
Amount Borrowed	\$20,000,000	\$800,000	\$800,000	\$768,800	\$736,352	\$702,606	\$667,510	\$631,011	\$593,051	\$553,573	\$512,516	\$469,817	\$425,409	\$379,226	\$331,195	\$281,243	\$229,292	\$175,264	\$119,075	\$60,638
Interest	\$800,000	\$800,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,576,578
Payment	\$800,000	\$800,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,580,000	\$1,576,578
Balance of Loan	\$20,000,000	\$20,000,000	\$19,220,000	\$18,408,800	\$17,565,152	\$16,687,758	\$15,775,268	\$14,826,279	\$13,839,330	\$12,812,904	\$11,745,420	\$10,635,236	\$9,480,646	\$8,279,872	\$7,031,067	\$5,732,309	\$4,381,602	\$2,976,866	\$1,515,940	(\$0)

APPENDIX A – Channel Lineup

EXPANDED BASIC CABLE

2	WSJK – PBS	52	National Geographic
4	CYB – WB	53	Hallmark Channel
5	WCYB – NBC	54	WGN
6	WAPK – UPN	55	TBS
7	WSBN – PBS	56	TNT
8	WLFG – TV 68	57	ABC Family
9	WKPT – ABC	58	Oxygen
10	WEMT – Fox	59	TV Land
11	WJHL – CBS	60	Nickelodeon
12	BTES Channel	61	The Disney Channel
13	QVC	62	The Discovery Channel
14	Home Shopping Network	63	The Learning Channel
15	Inspirational Network	64	Animal Planet
16	Trinity Broadcasting Network	65	Cartoon Network
17	TV Guide	66	Toon Disney
18	The Weather Channel	68	The Game Show Network
19	FOX News Channel	69	Turner Classic Movies
20	CNN	70	AMC
21	CNN Headline News	71	TechTV
22	MSNBC	72	Discovery Health
23	CNBC	73	Court TV
26	Comcast Sports Net	74	CMT
27	Comcast Sports Southeast	75	MTV
28	ESPN	76	VH-1
29	ESPN2	77	Style
30	ESPN News	78	Fine Living
31	Speedvision	79	C-Span
32	Outdoor Channel	80	C-Span2
33	Golf Channel		
34	Outdoor Life Channel		
35	PAX TV		
36	FX		
37	Turner South		
38	Women's Entertainment		
39	Travel Channel		
40	BET		
41	History		
42	A&E		
43	Food Network		
44	HGTV		
45	E! Entertainment TV		
46	Sci-Fi		
47	Comedy Central		
48	Bravo		
49	Spike TV		
50	USA		
51	Lifetime		

**DIGITAL ENHANCED PACKAGE
(INCLUDES PPV & MUSIC
CHOICE)**

Family Entertainment:

- 105 Noggin
- 106 Nickelodeon Games & Sports
- 107 Nickelodeon Too
- 108 Boomerang
- 109 BBC America
- 110 Discovery Home & Leisure
- 111 Do It Yourself (DIY)
- 112 ESPN Classic
- 114 Nicktoons TV
- 116 Varsity Television
- 117 Discovery Kids

Sports & Special Interest:

- 200 Biography
- 201 History Channel International
- 202 The Science Channel
- 203 Discovery Times
- 204 Fit TV
- 205 FOX Sports World
- 206 FOX Sports Digital Atlantic
- 207 FOX Sports Digital Central
- 208 FOX Sports Digital Pacific
- 209 G4 (TV for Gamers)
- 210 CNNfn
- 211 CNN International
- 301 Lifetime Movie Network
- 302 Independent Film Channel
- 303 Sundance
- 304 Discovery Wings
- 306 FOX Movie Channel
- 307 MTV2 (M2)
- 308 MTV Espanol
- 309 Great American Country
- 310 VH-1 Classic
- 311 VH-1 Soul
- 312 VH-1 Country
- 313 MTV Hits
- 314 MTV Jams
- 315 VH-1 Mega Hits

HD Channels:

- 400 HD Net
- 401 HD Net Movies
- 402 Discovery Theatre HD
- 405 NBC HD – WCYB
- 409 ABC HD – WKPT
- 411 CBS HD – WJHL
- 412 ESPN HD

HBO:

- 500 HBO – East
- 501 HBO Plus
- 502 HBO Signature
- 503 HBO Family
- 504 HBO Comedy
- 505 HBO – West
- 506 HBO Zone
- 507 HBO Latino
- 508 HBO – East HD

Cinemax:

- 550 Cinemax – East
- 551 More Max
- 552 Action Max
- 553 Cinemax – West
- 554 Thriller Max
- 555 Cinemax – East HD

Showtime:

- 600 Showtime – East
- 601 Showtime Too
- 602 Showtime Showcase
- 603 Showtime Extreme
- 604 Showtime – West
- 605 Showtime Beyond
- 606 FLIX
- 607 Showtime – East HD

The Movie Channel:

- 650 The Movie Channel
- 651 TMC Xtra
- 652 TMC HD

Starz and Encore:

700 Starz! – East
701 Starz! Theater
703 Black Starz!
704 Starz! – West
705 Starz! Family
706 Starz! Cinema
707 WAM!
708 Starz! Kids
709 Starz! HD
750 Encore
751 Encore Action
752 Encore Love
753 Encore Mystery
754 Encore True Stories
755 Encore Westerns

Pay-Per-View

In-Demand Pay-Per-View:

800 In Demand Previews
801-834 In Demand Pay-per-view

ESPN Pay-Per-View:

886 ESPN NOW
887-892 ESPN Sports Pay-per-view

Music Choice Digital Music

901 MC – Showcase 1
902 MC – Showcase 2
903 MC – Origins
904 MC – New Releases
905 MC – American Originals
906 MC – Sound of the Seasons
907 MC – Ford Kids Only
908 MC – World Beat
909 MC – Body & Soul
910 MC – Classic R&B
911 MC – R&B Hits
912 MC – Dance
913 MC – Rap
914 MC – Metal
915 MC – Alternative Rock
916 MC – Progressive
917 MC – Classic Rock
918 MC – Rock Hits
919 MC – Soft Rock
920 MC – Hit List
921 MC – 80s
922 MC – 70s

923 MC – Solid Gold Oldies
924 MC – Today's Country
925 MC – Classic Country
926 MC – Big Band
927 MC – Singers & Standards
928 MC – Easy Listening
929 MC – Classical Masterpieces
930 MC – Light Classical
931 MC – Atmospheres
932 MC – Light Jazz
933 MC – Jazz
934 MC – Blues
935 MC – Gospel
936 MC – Contemporary Christian
937 MC – Musica Latina
938 MC – Tropical
939 MC – Mexicana
940 MC – Tejano
941 MC – Folklorica
942 MC – Boleros
943 MC – International Love Songs
944 MC – Brazilian Pop
945 MC – Brazilian Beat

Taxes

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Franchise Fees	\$38,944	\$113,953	\$186,441	\$258,929	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	\$294,994	9% of revenue for cable
Sales Tax	\$49,165	\$146,583	\$243,203	\$339,824	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	\$388,077	9.5% of revenue for cable
Total	\$88,109	\$260,536	\$429,644	\$598,753	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	\$683,070	
Ad Valorem	\$9,405	\$8,794	\$15,832	\$40,494	\$31,176	\$21,858	\$12,539	\$10,221	\$9,903	\$4,585	\$5,267	\$5,949	\$6,631	\$7,313	\$7,995	\$8,676	\$9,358	\$11,804	\$7,968	- Capital-Depreciation x .02
Gross Receipts In Lieu of Tax	\$837	\$2,456	\$4,008	\$5,561	\$6,325	\$6,316	\$6,325	\$6,334	\$6,343	\$6,353	\$6,363	\$6,373	\$6,383	\$6,394	\$6,405	\$6,416	\$6,427	\$6,439	\$6,451	3/20% of Taxable Gross Sales x 66.67%
Franchise Tax	\$24,252	\$36,221	\$47,213	\$57,219	\$53,336	\$49,454	\$45,571	\$41,689	\$37,806	\$33,924	\$30,041	\$26,159	\$22,276	\$18,394	\$14,511	\$10,628	\$6,746	\$2,864	\$1,206	\$250,000 of Capital-Depreciation
Excise Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$11,795	\$72,725	\$104,340	.065 of taxable income
Total	\$4,494	\$127,471	\$167,054	\$203,274	\$190,837	\$177,627	\$164,436	\$151,244	\$138,053	\$124,862	\$111,671	\$98,480	\$85,290	\$72,100	\$58,910	\$45,721	\$44,327	\$46,567	\$120,759	
					\$481,995	\$472,670	\$463,359	\$454,049	\$444,739	\$435,429	\$426,119	\$416,809	\$407,500	\$398,191	\$388,882	\$379,573	\$370,265	\$362,721	\$358,895	\$350,937

Pole Attachment Fees																				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Rate	\$29.10	\$29.83	\$30.57	\$31.34	\$32.12	\$32.92	\$33.75	\$34.59	\$35.46	\$36.34	\$37.25	\$38.18	\$39.14	\$40.11	\$41.12	\$42.15	\$43.20	\$44.28	\$45.39	\$46.52
Annual Charge	\$72,750	\$149,138	\$229,299	\$313,375	\$321,210	\$329,240	\$337,471	\$345,908	\$354,555	\$363,419	\$372,505	\$381,817	\$391,363	\$401,147	\$411,175	\$421,455	\$431,991	\$442,791	\$453,861	\$465,207

Pole Attachment Statement:
 The highest pole attachment fee paid to BTES for fiscal year 2005 is \$29.10 per pole per year. This rate is reflected above with an increase each year.

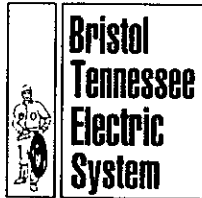
APPENDIX D - Bond Schedule

Year	Principal	Interest	Principal Payment	Total Payment
1	\$20,000,000	\$800,000	\$0	\$800,000
2	\$20,000,000	\$800,000	\$0	\$800,000
3	\$20,000,000	\$800,000	\$780,000	\$1,580,000
4	\$19,220,000	\$768,800	\$811,200	\$1,580,000
5	\$18,408,800	\$736,352	\$843,648	\$1,580,000
6	\$17,565,152	\$702,606	\$877,394	\$1,580,000
7	\$16,687,758	\$667,510	\$912,490	\$1,580,000
8	\$15,775,268	\$631,011	\$948,989	\$1,580,000
9	\$14,826,279	\$593,051	\$986,949	\$1,580,000
10	\$13,839,330	\$553,573	\$1,026,427	\$1,580,000
11	\$12,812,904	\$512,516	\$1,067,484	\$1,580,000
12	\$11,745,420	\$469,817	\$1,110,183	\$1,580,000
13	\$10,635,236	\$425,409	\$1,154,591	\$1,580,000
14	\$9,480,646	\$379,226	\$1,200,774	\$1,580,000
15	\$8,279,872	\$331,195	\$1,248,805	\$1,580,000
16	\$7,031,067	\$281,243	\$1,298,757	\$1,580,000
17	\$5,732,309	\$229,292	\$1,350,708	\$1,580,000
18	\$4,381,602	\$175,264	\$1,404,736	\$1,580,000
19	\$2,976,866	\$119,075	\$1,460,925	\$1,580,000
20	\$1,515,940	\$60,638	\$1,515,940	\$1,576,578
	Total	\$10,036,578	\$20,000,000	\$30,036,578

Loan from Electric System

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
Principal	\$0	\$0	\$2,038,184	\$7,006,802	\$7,006,802	\$6,436,910	\$5,828,250	\$5,196,549	\$4,547,059	\$3,880,251	\$3,196,066	\$2,494,406	\$1,775,187	\$1,038,336	\$283,797					
Interest	\$0	\$0		\$81,527	\$280,272	\$257,476	\$233,130	\$207,862	\$181,882	\$155,210	\$127,843	\$99,776	\$71,007	\$41,533	\$11,352					
Payment	\$0	\$0			\$569,892	\$608,660	\$631,701	\$649,490	\$666,809	\$684,185	\$701,660	\$719,219	\$736,851	\$754,539	\$283,797					
Balance			\$2,038,184	\$7,006,802	\$6,436,910	\$5,828,250	\$5,196,549	\$4,547,059	\$3,880,251	\$3,196,066	\$2,494,406	\$1,775,187	\$1,038,336	\$283,797	\$0					

APPENDIX F - Customer Survey Results



BTES Cable TV and Internet Service Survey Results

- 94%** - Extremely Satisfied with Current BTES Services
- 89%** - BTES Should Provide Cable TV, Internet and Phone Service
- 83%** - Might or Would Subscribe to BTES Cable TV if Offered at Same or Lower Price
- 91%** - Might or Would Subscribe to BTES Internet Service if Offered at Same or Lower Price
- 94%** - Important for Local Dollars Spent on Cable TV and Internet Service to Stay in Bristol

APPENDIX G - Review of Business Plan

Interested parties may review the BTES Broadband Business Plan by contacting:

General Manager R. Michael Browder, Ed.D., P.E.
Bristol Tennessee Electric System
2470 Volunteer Parkway
Bristol, TN 37620
(423) 793-5530

2) Please explain in detail the development of the business plans requested in Question 1 including outside parties assisting BTES in developing the plans and any outside resources were consulted in developing the plans.

RESPONSE: BTES objects on the grounds of relevancy for the reasons explained in response to Question 1. Without waiving that objection, BTES relied on the following outside parties and resources concerning the development of BTES's proposed telephone services which are the subject of this application.

The business plans were put together and revised by BTES staff in consultation with Dwight Work on cost allocation and related costing issues. Prior to putting together the plan, discussions were also held by BTES staff with utility staff in Dalton, GA, Bristol, VA and Morristown, TN on technical issues. Information obtained was considered as BTES selected the components it desired to put into its system. The staff also made inquiries of ALCATEL on technical and costing matters and used the information furnished in response to those inquiries in formulating the plans. BTES staff reviewed the plan filed with the Comptroller by Jackson Energy Authority ("JEA") and asked some questions of JEA staff on how their plan was put together.

3) By way of an October 7, 2004 letter to BTES, the Comptroller listed numerous assertions contained in the September 27, 2004 BTES business plan that the Comptroller based its feasibility analysis on. Have any of the assertions described by the Comptroller in the October 7, 2004 letter changed?

RESPONSE: BTES objects to this question on the grounds of relevancy for the reasons explained in response to Question 1. Each of the assertions listed in the Comptroller's letter of October 7, 2004, refers to BTES's proposed Internet and cable television services, as described in T.C.A. §§7-52-601 and 602, and "do not include telephone . . . and telecommunications services."

4) Please provide all other documents that BTES has exchanged with the Comptroller regarding municipal provision of cable television, Internet and/or telephone service.

RESPONSE: In addition to the documents provided to the Comptroller and described in response to Question 1, BTES received a letter from David Bowling on March 1, 2005 and replied on March 31, 2005. Copies of both letters are attached.



Bristol Tennessee Essential Services

Electric • Internet • Cable

2470 Volunteer Parkway • P. O. Box 549 • Bristol, TN 37621-0549
423/968-1526 • Fax 423/793-5545

March 31, 2005

David H. Bowling
Division of Local Finance
1700 James K. Polk State Office Building
505 Deaderick Street
Nashville, TN 37243-0274

Dear Mr. Bowling:

This is in response to your request for information in your letter dated March 1, 2005.

1. Are you providing the telecommunications services as described in our report? If not, please explain why not? **The Bristol Tennessee City Council gave final approval of our plan and entry into the cable and internet business on November 23, 2004. They also granted us a franchise on February 1, 2005. We are still in the preliminary phases of implementation. At this point we are concluding agreements for engineering, construction and equipment. We plan to begin offering services this summer, which is in line with the plan. Quotations received to date for these services are equal to or less than those itemized in the business plan.**
2. Were there any major changes during actual implementation that varied from the plan as submitted? Please explain any such changes. **While implementation is only in its earliest stages, we have not yet made any changes from the plan, and do not anticipate any at this time.**
3. Compare the plan, as submitted to our office, to the actual events of implementation. This should include, but not limited to, revenues, expenditures, numbers of customers, rate variations, bond issuance costs, amount issued, interest rate comparisons, cost of construction, etc. **It is at this point too early to make a meaningful comparison, but all information we have received to date places us well within plan parameters**

If you have any questions, give me a call at 423/793-5530.

Sincerely,

R. Michael Browder, Ed.D., P.E.
General Manager



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

RECEIVED

MAR 3 - 2005

**BRISTOL TENNESSEE
ESSENTIAL SERVICES**

March 1, 2005

Chairman, Bristol Tennessee Electric System Power Board
P. O. Box 549
Bristol, TN 37621-0549

Dear Chairman:

Pursuant to TCA 7-52-602(b), our office issued a written analysis of the feasibility of a proposed telecommunications business plan submitted by your city and/or electric board. Also, TCA 7-52-604 (c), states that the comptroller's office shall prepare a report to the General Assembly on or before June 30, 2005, evaluating the operations of the services permitted and shall recommend whether the authority to provide the services should be expanded, restricted or terminated.

Based on the mandates set forth in the statute as stated above, our office is requesting the following information be submitted to our office no later than April 1, 2005:

1. Are you providing the telecommunications services as described in our report? If not, please explain why not.
2. Were there any major changes during actual implementation that varied from the plan as submitted? Please explain any such changes.
3. Compare the plan, as submitted to our office, to the actual events of implementation. This should include, but not be limited to, revenues, expenditures, number of customers, rate variations, bond issuance costs, amount issued, interest rate comparisons, cost of construction, etc.

You may submit any related financial statements, but the analysis requested must also be included. If you have any questions, please feel free to contact Joyce Welborn at (615) 401-7864.

Sincerely,

David H. Bowling
Director

5) Please provide any other business plans concerning the municipal provision of cable television, Internet and/or telephone service performed by or for BTES, including any updates or revisions to the business plans submitted to the Comptroller.

RESPONSE: See response to Question 1. No updates or revisions have been submitted to the Comptroller. The only available business plans are the one filed with the Comptroller on September 28, 2004, and the one filed with this application.

6) What is the status of the inter-division loan mentioned in the Comptroller's October 7, 2004 letter, including the current amount of the loan by division/service?

RESPONSE: BTES objects on the grounds of relevancy. As explained in response to Question 1, the loan mentioned in the October 7 letter refers only to BTES's proposed cable and Internet services. Nevertheless, without waiving that objection, the amount of the Cable and Internet loan is \$2,647,849.00, as of October 31, 2005.

7) Please provide all documents BTES has generated that document any current and/or future inter-division loan from BTES's electric division to its cable television, Internet and telephone divisions.

RESPONSE: See attached documents.

BRISTOL TENNESSEE ESSENTIAL SERVICES
COMPARATIVE BALANCE SHEET
ELECTRIC BUSINESS UNIT
October 2005
\$(000)

LINE
NO.

ASSETS

	October 2005	June 2005
<u>Fixed Assets</u>		
1 Total Electric Plant	\$73,433.8	\$71,024.2
2 Less Accumulated Depreciation	39,799.4	39,157.5
3 Net Plant	33,634.4	31,866.7
<u>Current Assets</u>		
4 Cash	1,530.4	1,180.0
5 Temporary Cash Investments	5,545.2	5,771.5
6 Construction Fund	22,034.0	
7 Accounts Receivable	2,727.1	3,451.6
8 Materials & Supplies	2,036.7	881.2
9 Prepaid Expenses	28.0	148.1
10 Total Current Assets	33,901.4	11,432.4
<u>Other Assets</u>		
11 Renewal & Replacement Fund	8,787.5	8,242.3
12 Conservation Loans Receivable	2,532.6	2,539.0
13 Deferred Debits & Other Assets	6,309.1	8,775.9
14 TVA DEU	6,172.1	6,404.4
15 Loan to Cable/Internet Business Unit	2,647.8	59.7
16 Loan to Telephone Business Unit	238.0	42.4
17 Total Other Assets	26,687.1	26,063.7
18 TOTAL ASSETS	\$94,222.9	\$69,362.8

LIABILITIES AND EQUITY IN ELECTRIC SYSTEM

Current Liabilities

19 Accounts Payable	4,876.2	5,346.4
20 Customer Deposits	2,061.6	2,029.9
21 Accrued Taxes and Equivalents	618.1	214.5
22 Accrued Expenses	863.9	564.5
23 Total Current Liabilities	8,419.8	8,155.3

Long-Term Debt

24 Electric System Bonds	24,002.7	0.0
25 Equity in Electric System	61,800.4	61,207.5
26 TOTAL LIABILITIES AND EQUITY	\$94,222.9	\$69,362.8

SO TR	PACCT	ITEMID	DEPT	WH	BH	DATE	CHK/JOB/REC/TASK	PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
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NUMBER OF RECORDS FOUND - 126

TOTAL QTY	3,624.00
TOTAL DEBIT	2,656,795.65
TOTAL CREDIT	8,946.22
NET BALANCE	2,647,849.43

SO TR	RACCT	ITEMID	DEPT	WH	BH	DATE	CHK/JOB/REC/TASK	PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
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NUMBER OF RECORDS FOUND - 14

TOTAL QTY	.00
TOTAL DEBIT	396,968.50
TOTAL CREDIT	158,975.00-
NET BALANCE	237,993.50

**BRISTOL TENNESSEE ESSENTIAL SERVICES
COMPARATIVE BALANCE SHEET
CABLE/INTERNET BUSINESS UNIT**

October 2005

\$(000)

**LINE
NO.**

ASSETS

**October
2005**

Fixed Assets

1 Total Cable/Internet Plant

\$1,665.8

2 Less Accumulated Depreciation

0.0

3 Net Plant

1,665.8

Other Assets

12 Start Up Costs

982.0

13 Total Other Assets

982.0

14 TOTAL ASSETS

\$2,647.8

LIABILITIES AND EQUITY

Long-Term Debt

20 Loan from Electric Business Unit

2,647.8

21 Equity in Cable/Internet Business Unit

0.0

22 TOTAL LIABILITIES AND EQUITY

\$2,647.8

BRISTOL TN ESSENTIAL SERVICE
PRG. ACCTANAL

ACCOUNT ANALYSIS
FOR ACCT: 228.65 LIABILITY CABLE/ISP
DATE RANGE FROM 07/01/05 TO 10/31/05

PAGE 1
RUN DATE 12/07/05 03:08 PM

SO TR	RACCT	ITEMID	DEPT	WH	BH	DATE	CHK/JOB/REC/TASK	PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
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NUMBER OF RECORDS FOUND - 27

TOTAL QTY	30.00
TOTAL DEBIT	2,111.78
TOTAL CREDIT	2,649,961.21
NET BALANCE	2,647,849.43

**A RESOLUTION AUTHORIZING A LOAN OF CERTAIN FUNDS FROM
THE ELECTRIC BUSINESS UNIT TO THE CABLE AND INTERNET BUSINESS UNIT**

WHEREAS, the Board of Directors ("Board") of Bristol Tennessee Essential Services ("BTES"), has provided for the creation of a Cable and Internet Business Unit of BTES ("Cable and Internet Business Unit") to provide the services authorized in Tennessee Code Annotated § 7-52-601, et seq.; and

WHEREAS, certain short-term expenditures have been made and certain long-term capital investments and expenditures will be required by the Cable and Internet Business Unit.

NOW, THEREFORE, BE IT RESOLVED, by the Board of BTES that:

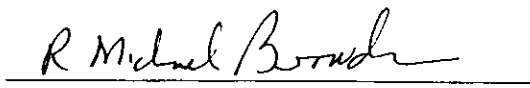
1. The General Manager is authorized, but not required, to execute such documents and to take such further action as may be necessary to consummate a loan in an amount not to exceed Twenty-eight Million Dollars (\$28,000,000) from BTES Electric Business Unit funds to the Cable and Internet Business Unit to provide for reimbursement of certain expenses and to provide the capital necessary for working capital requirements and capital expenditures of the Cable and Internet Business Unit.

2. The loan authorized under Section 1 of this Resolution shall be made in accordance with the requirements of Tennessee Code Annotated § 7-52-603 and the requirements of the TVA Wholesale Power Contract, pursuant to the attached letter dated June 27, 2005, and this authorization shall not create any further obligations or liabilities of BTES' Electric Business Unit in favor of its Cable and Internet Business Unit.

Resolution ADOPTED this 1 day of July, 2005


Board Chairman

ATTEST:


Secretary/Treasurer



Tennessee Valley Authority, Post Office Box 200409, Nashville, Tennessee 37220-2409

June 27, 2005

675/3A 65
TV-73611A, Supp. No. 62

Mr. Patrick W. Hickie Jr., Chairman
Bristol Tennessee Essential Services
Post Office Box 549
Bristol, Tennessee 37621

Dear Mr. Hickie:

This letter confirms the understanding between the City of Bristol, Tennessee (Bristol), and Tennessee Valley Authority (TVA) relating to the joint use of funds between the Bristol Tennessee Essential Services (Electric Services) and the Internet and Cable Unit (Internet and Cable Unit) of Bristol Tennessee Essential Services, both systems being managed by the same independent five member board, which has oversight into the financial soundness of each.

Bristol represents that:

- A. The General Assembly of the State of Tennessee enacted the Tennessee Code Annotated, Title 7, Chapter 52, which provides for municipal electric plants to own and operate cable and internet services. Under this provision, the municipal electric system can lend funds to the Internet and Cable Unit;
- B. The Electric Services has revenues and assets available to loan to the Internet and Cable Unit, as authorized by state statute;
- C. Any use of property and personnel jointly by Bristol for its Electric Services and to operate the Internet and Cable Unit, with those expenses being properly allocated between the Electric Services and the Internet and Cable Unit, will provide efficiency and economy in the Electric Services' overall operations; and
- D. The Electric Services will financially benefit from its loans to the Internet and Cable Unit.

Based upon the above assurance and subject to the following terms and conditions, this letter shall constitute TVA's agreement, as provided for in section 1(a) of the Schedule of Terms and Conditions of the Power Contract between Bristol and TVA, numbered TV-67518A and dated June 27, 1985, as amended (Power Contract), to the Electric Services' loan or loans to the Internet and Cable Unit described herein. In light of the foregoing:

1. Bristol may make a loan or loans from Electric Services funds not to exceed an aggregate amount of up to \$28,000,000 (28 million dollars) to the Internet and Cable Unit. Electric Services has no obligation or responsibility to make or keep any funds available for this purpose.
2. Bristol shall cause its Internet and Cable Unit to pay semi-annually to its Electric Services interest accruing on all advances outstanding and to make repayments of the amortized principal balance, beginning 18 (eighteen) months after the initial funding date of each loan (Initial Date), until such time as the principal is fully repaid. The Internet and Cable Unit shall repay the Electric Services the principal amount, together with all accrued and unpaid interest, not to exceed 20 years beyond the Initial Date of each loan, unless Bristol and TVA agree on a later date.
3. Unless TVA agrees otherwise, the Internet and Cable Unit shall accrue interest payable to the Electric Services at the highest interest rate then earned by the Electric Services on invested electric plant funds in accordance with state law as set out in Tennessee Code Annotated Section 7-52-603 (B). The interest accrual will be calculated by applying the ratio of the annual interest rate over a period of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. In no event shall the effective rate of interest for any semi-annual payment exceed the highest rate of interest permitted to be charged under the laws of the State of Tennessee.
4. If the Internet and Cable Unit fails to make a required payment on or prior to the applicable payment date, interest will accrue on such payment at a rate equal to the applicable interest rate + 1% until such payment is made, and such failure shall not affect the Internet and Cable Unit's obligation to make other required payments. If the Internet and Cable Unit fails to make all of its required payments by the date on which the last required payment is due, the Electric Services shall, unless TVA agrees otherwise, take steps satisfactory to TVA to fully maintain and exercise all legal rights and remedies it may possess or hereafter acquire with respect to the full recovery of the liability between the Internet and Cable Unit and the Electric Services in order to make the Electric Services whole as soon as practical.
5. This agreement shall terminate in the event that ownership or control of Internet and Cable Unit reverts or changes to an entity other than the Electric Services. In addition, Electric Services shall make no additional loans in the event that

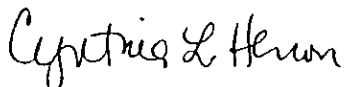
ownership or control of Internet and Cable Unit reverts or changes to an entity other than Bristol.

6. It is recognized that under the Power Contract, section 5 (c), the Electric Services shall be maintained on a self-supporting and financially sound basis. If TVA determines, in its judgment, that continuing the loans from the Electric Services to the Internet and Cable Unit might threaten the financial soundness of the Electric Services, then TVA may terminate this agreement upon 90 days' written notice to Bristol.
7. Unless otherwise agreed to by TVA in writing, upon any termination of this agreement, Internet and Cable Unit shall immediately repay any funds previously advanced by Electric Services, along with accumulated interest, and the loan or loans shall be closed and of no further force or effect.
8. Unless TVA agrees otherwise, Electric Services will furnish no other credit, guarantee or other financial accommodation to or on behalf of Internet and Cable Unit, except for the loan or loans described above.
9. In the event that Bristol, for purposes of efficiency and economy, wishes to use any additional property and personnel jointly for its Electric Services and to operate the Internet and Cable Unit, those arrangements will be provided for in a supplementary agreement in which those expenses are properly allocated between the Electric Services and the Internet and Cable Unit.
10. The Electric Services shall, within ninety days of each of the fiscal year and mid-year reporting periods of the Internet and Cable Unit, provide a semi-annual financial statement and supplementary reports to TVA including year-to-date financial results measured against the business plan of the Internet and Cable Unit.
11. This agreement may not be modified except in writing signed by the parties' authorized representatives.

Mr. Patrick Hickie
Page 4 of 4
June 27, 2005

If this letter correctly states the understanding between us, please so indicate by having a duly authorized representative sign both enclosed originals on behalf of the City of Bristol, Tennessee, and return them to your TVA Customer Service Manager. A fully executed original will be returned to you following signature on behalf of TVA.

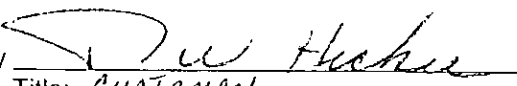
Sincerely,



Cynthia L. Herron
General Manager, Contracts and Pricing
Customer Service and Marketing

Accepted and agreed to as of
the 8 day of July, 2005

CITY OF BRISTOL, TENNESSEE
By Board of Public Utilities

By 
Title: CHAIRMAN

**BRISTOL TENNESSEE ESSENTIAL SERVICES
COMPARATIVE BALANCE SHEET
TELEPHONE BUSINESS UNIT**

October 2005
\$(000)

**LINE
NO.**

ASSETS

October
2005

Fixed Assets

- 1 Total Telephone Plant
- 2 Less Accumulated Depreciation
- 3 Net Plant

\$0.0

0.0

0.0

Other Assets

- 12 Start Up Costs
- 13 Total Other Assets

238.0

238.0

14 TOTAL ASSETS

\$238.0

LIABILITIES AND EQUITY

Long-Term Debt

- 20 Loan from Electric Business Unit
- 21 Equity in Telephone Business Unit

238.0

0.0

22 TOTAL LIABILITIES AND EQUITY

\$238.0

BRISTOL TN ESSENTIAL SERVICE
PRG. ACCTANAL

ACCOUNT ANALYSIS
FOR ACCT: 228.75 LIABILITY TELEPHONE
DATE RANGE FROM 07/01/05 TO 10/31/05

PAGE 1
RUN DATE 12/07/05 03:08 PM

SO TR	RACCT	ITEMID	DEPT	WH	BH	DATE	CHK/JOB/REC/TASK	PJ/VHR/VND/VEH	QTY	DEBIT	CREDIT	DESCRIPTION
-------	-------	--------	------	----	----	------	------------------	----------------	-----	-------	--------	-------------

NUMBER OF RECORDS FOUND - 22

TOTAL QTY	14.00
TOTAL DEBIT	160,411.58
TOTAL CREDIT	398,405.08
NET BALANCE	237,993.50

**A RESOLUTION AUTHORIZING A LOAN OF CERTAIN FUNDS
FROM THE ELECTRIC BUSINESS UNIT TO THE TELEPHONE
BUSINESS UNIT**

WHEREAS, the Board of Directors ("Board") of Bristol Tennessee Essential Services ("BTES"), has provided for the creation of a Telephone Business Unit of BTES ("Telephone Business Unit") to provide the services authorized in Tennessee Code Annotated § 7-52-401, *et seq.*; and

WHEREAS, certain short-term expenditures have been made and certain long-term capital investments and expenditures will be required by the Telephone Business Unit.

NOW, THEREFORE, BE IT RESOLVED, by the Board of BTES that:


1. The General Manager is authorized, but not required, to execute such documents and to take such further action as may be necessary to consummate a loan in an amount not to exceed Two Million Dollars (\$2,000,000) from BTES Electric Business Unit funds to the Telephone Business Unit to provide for reimbursement of certain expenses and to provide the capital necessary for working capital requirements and capital expenditures of the Telephone Business Unit.

2. The loan authorized under Section 1 of this Resolution shall be made in accordance with the requirements of Tennessee Code Annotated § 7-52-402 and the requirements of the TVA Wholesale Power Contract, pursuant to the attached letter dated June 27, 2005, and this authorization shall not create any further obligations or liabilities of BTES' Electric Business Unit in favor of its Telephone Business Unit.

Resolution ADOPTED this 1 day of July, 2005.


Board Chairman

ATTEST:


Secretary/Treasurer



Tennessee Valley Authority, Post Office Box 290409, Nashville, Tennessee 37209-2409

June 27, 2005

67518A
TV-73611A, Supp. No. 66

Mr. Patrick W. Hickie Jr., Chairman
Bristol Tennessee Essential Services
Post Office Box 549
Bristol, Tennessee 37621

Dear Mr. Hickie:

This letter confirms the understanding between the City of Bristol, Tennessee (Bristol), and Tennessee Valley Authority (TVA) relating to the joint use of funds between the Bristol Tennessee Essential Services (Electric Services) and the Telephone Business Unit (Telephone Business Unit) of Bristol Tennessee Essential Services, both systems being managed by the same independent five member board, which has oversight into the financial soundness of each.

Bristol represents that:

- A. The General Assembly of the State of Tennessee enacted the Tennessee Code Annotated, Title 7, Chapter 52, which provides for municipal electric plants to own and operate telecommunications services. Under this provision, the municipal electric system can lend funds to the Telephone Business Unit;
- B. The Electric Services has revenues and assets available to loan to the Telephone Business Unit, as authorized by state statute;
- C. Any use of property and personnel jointly by Bristol for its Electric Services and to operate the Telephone Business Unit, with those expenses being properly allocated between the Electric Services and the Services, will provide efficiency and economy in the Electric Services' overall operations; and
- D. The Electric Services will financially benefit from its loans to the Telephone Business Unit.

Based upon the above assurance and subject to the following terms and conditions, this letter shall constitute TVA's agreement, as provided for in section 1(a) of the Schedule of Terms and Conditions of the Power Contract between Bristol and TVA, numbered TV-67518A and dated June 27, 1985, as amended (Power Contract), to the Electric Services' loan or loans to the Telephone Business Unit described herein. In light of the foregoing:

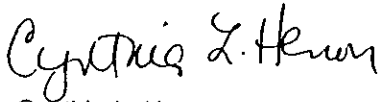
1. Bristol may make a loan or loans from Electric Services funds not to exceed an aggregate amount of up to \$2,000,000 (2 million dollars) to the Telephone Business Unit. Electric Services has no obligation or responsibility to make or keep any funds available for this purpose.
2. Bristol shall cause its Telephone Business Unit to pay semi-annually to its Electric Services interest accruing on all advances outstanding and to make repayments of the amortized principal balance, beginning 18 (eighteen) months after the initial funding date of each loan (Initial Date), until such time as the principal is fully repaid. The Telephone Business Unit shall repay the Electric Services the principal amount, together with all accrued and unpaid interest, not to exceed 20 years beyond the Initial Date of each loan, unless Bristol and TVA agree on a later date.
3. Unless TVA agrees otherwise, the Telephone Business Unit shall accrue interest payable to the Electric Services at the highest interest rate then earned by the Electric Services on invested electric plant funds in accordance with state law as set out in Tennessee Code Annotated Section 7-52-402. The interest accrual will be calculated by applying the ratio of the annual interest rate over a period of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. In no event shall the effective rate of interest for any semi-annual payment exceed the highest rate of interest permitted to be charged under the laws of the State of Tennessee.
4. If the Telephone Business Unit fails to make a required payment on or prior to the applicable payment date, interest will accrue on such payment at a rate equal to the applicable interest rate + 1% until such payment is made, and such failure shall not affect the Telephone Business Unit's obligation to make other required payments. If the Telephone Business Unit fails to make all of its required payments by the date on which the last required payment is due, the Electric Services shall, unless TVA agrees otherwise, take steps satisfactory to TVA to fully maintain and exercise all legal rights and remedies it may possess or hereafter acquire with respect to the full recovery of the liability between the Telephone Business Unit and the Electric Services in order to make the Electric Services whole as soon as practical.

5. This agreement shall terminate in the event that ownership or control of Telephone Business Unit reverts or changes to an entity other than the Electric Services. In addition, Electric Services shall make no additional loans in the event that ownership or control of Telephone Business Unit reverts or changes to an entity other than Bristol.
6. It is recognized that under the Power Contract, section 5 (c), the Electric Services shall be maintained on a self-supporting and financially sound basis. If TVA determines, in its judgment, that continuing the loans from the Electric Services to the Telephone Business Unit might threaten the financial soundness of the Electric Services, then TVA may terminate this agreement upon 90 days' written notice to Bristol.
7. Unless otherwise agreed to by TVA in writing, upon any termination of this agreement, Telephone Business Unit shall immediately repay any funds previously advanced by Electric Services, along with accumulated interest, and the loan or loans shall be closed and of no further force or effect.
8. Unless TVA agrees otherwise, Electric Services will furnish no other credit, guarantee or other financial accommodation to or on behalf of Telephone Business Unit, except for the loan or loans described above.
9. In the event that Bristol, for purposes of efficiency and economy, wishes to use any additional property and personnel jointly for its Electric Services and to operate the Telephone Business Unit, those arrangements will be provided for in a supplementary agreement in which those expenses are properly allocated between the Electric Services and the Telephone Business Unit.
10. The Electric Services shall, within ninety days of each of the fiscal year and mid-year reporting periods of the Telephone Business Unit, provide a semi-annual financial statement and supplementary reports to TVA including year-to-date financial results measured against the business plan of the Telephone Business Unit.
11. This agreement may not be modified except in writing signed by the parties' authorized representatives.

Mr. Patrick Hickie
Page 4 of 4
June 27, 2005

If this letter correctly states the understanding between us, please so indicate by having a duly authorized representative sign both enclosed originals on behalf of the City of Bristol, Tennessee, and return them to your TVA Customer Service Manager. A fully executed original will be returned to you following signature on behalf of TVA.

Sincerely,



Cynthia L. Herron
General Manager, Contracts and Pricing
Customer Service and Marketing

Accepted and agreed to as of
the 8 day of July, 2005

CITY OF BRISTOL, TENNESSEE
By Board of Public Utilities

By 
Title: CHAIRMAN

July 20, 2005

1000
1334-117

Dear Dr. Browder,

We understand that you have requested that fully executed copies of TV-67518A, Supp. No. 65, and TV-67518A, Supp. No. 66, both dated June 27, 2005, be sent to your office directly. Herein, you will find one fully executed copy of each of these two documents which authorize the joint use of funds between Bristol Tennessee Essential Services and its Internet and Cable Unit and Telephone Business Unit, respectively, under the conditions specified in each agreement. If you have any questions, please feel free to contact me.

Thank you.



Megan Keen
Electrical Engineer
TVA, Power Contracts
(615) 232-6114

8) What is the total amount of inter-division loans BTES intends to loan to its cable television, Internet and telephone divisions over the next four (4) years?

RESPONSE: \$30,000,000.00

9) Pursuant to Tenn. Code Ann. §7-52-402(2), any inter-division loan of funds must be approved in advance by the State Director of Local Finance. Provide all documents relating to BTES application to and approval by the State Director of Local Finance for inter-division loans.

RESPONSE: None. BTES understands that the State Director of Local Approval will only grant conditional approval, which does not become effective until the TRA has granted the applicant a certificate. Therefore, BTES determined that it would apply to the State Director of Local Finance following TRA approval of this application. Approval will be sought upon receipt of the Certificate of Convenience and Necessity.

10) What interest rate is BTES using in its financial statements and projections for inter-division loans?

RESPONSE: For cable and Internet 4% was used in the plan. In the current plan for telephone, 4.5% was used.

11) For the last five (5) years, please provide the highest rate of interest earned by BTES on invested electric plant funds broken out by current and non-current assets.

RESPONSES: In non-current assets, the highest rate located was 7.15%, and in current assets the highest located rate was 6.6%. Both were for CDs purchased in December of 2002.

12) Please provide all documents BTES has supplied to outside parties in furtherance of securing the bond issuance mentioned in the Comptroller's October 7, 2004 letter, including any business cases or plans relating to the municipal provision of cable television, Internet and/or telephone service.

RESPONSE: The proposed bond described above, which was not issued, is taken from a filing made by BTES with the Comptroller, pursuant to T.C.A. §7-52-602, for approval of the proposed offering of cable television and Internet service. This filing did not incorporate BTES's proposed telecommunications offering and is therefore not relevant to this proceeding. See Response to Question 1.

Without waiving this objection and in an effort to be responsive to the questions, the City of Bristol, Tennessee, issued a bond offering in July, 2005, for the following purposes:

“to finance the costs of (i) improving and extending the [electric transmission and distribution] system (ii) pre-purchasing electrical power from the Tennessee Valley Authority and (iii) issuing the Series 2005 Bonds, including the premium for an insurance policy (the “Policy”) and a surety bond . . .”³

A copy of this bond issue is attached. The telecommunications, Internet, and cable television divisions of BTES will pay the electric division an access fee for the use of the improved and extended electric system as described in the BTES Cost Allocation Manual.

³ See attached document labeled “\$24,000,000, The City of Bristol Tennessee, Electric System Revenue Bonds, Series 2005, Introduction.”

CYNTHIA HAMBRICK
TEL: (615) 259-6135
FAX: (615) 259-6775
chambrick@bassberry.com

BASS, BERRY & SIMS PLC

A PROFESSIONAL LIMITED LIABILITY COMPANY
ATTORNEYS AT LAW

AMISOUTH CENTER
315 DEADERICK STREET, SUITE 2700
NASHVILLE, TN 37238-3001
(615) 742-6200

www.bassberry.com

OTHER OFFICES:

NASHVILLE MUSIC ROW
KNOXVILLE
MEMPHIS

August 11, 2005

FED EX

Ms. Wendi Davis
Director of Accounting & Finance
Bristol Essential Services
2470 Volunteer Parkway
Bristol, Tennessee 37620

Re: City of Bristol, Tennessee

Dear Ms. Davis:

I am enclosing a soft-bound transcript. If you have any questions, please feel free to call me.

Sincerely,



Cynthia Hambrick
Assistant to Jeff Oldham

ch
Enclosures
cc: Ms. Julianne Graham

CITY OF BRISTOL, TENNESSEE

\$23,910,000 ELECTRIC SYSTEM REVENUE BONDS, SERIES 2005

Closing Date: July 27, 2005

Dated Date: July 27, 2005

BASIC DOCUMENTS:

1. Recommending Resolution of Bristol Essential Services Board adopted May 25, 2005
2. Affidavit of Publication of Notice of Meeting of City Council on June 7, 2005
3. Certified Copy of Bond Resolution adopted by City Council on June 7, 2005
4. Specimen Bond

UNDERWRITING DOCUMENTS:

5. Preliminary Official Statement
6. Official Statement
7. Rating Letters (Underlying/Insured)
8. Underwriter Closing Certificate
9. Bond Purchase Agreement

INSURANCE AND SURETY DOCUMENTS:

10. Ambac Assurance Corporation ("Insurer") Insurance Commitment
11. Insurance Policy (Copy)
12. Insurer Surety Bond Commitment
13. Surety Bond (Copy)
14. Closing Certificate of Insurer
15. Opinion of Counsel to Insurer
16. Financial Guaranty Agreement

CLOSING DOCUMENTS:

17. Registration and Paying Agent Certificate
18. Certificate of Mayor and City Clerk of the City and Vice Chairman of Bristol Essential Services on Matters Relating to the Bonds
19. Certificate Relating to Tax Matters and Receipt for Bond Proceeds
20. Continuing Disclosure Certificate
21. Form 8038-G
22. Form CT-0253
23. Certificate and Agreement of City Regarding Financial Guaranty Insurance Policy
24. Opinion of Counsel to the City
25. Bond Counsel Opinion of Bass, Berry & Sims PLC
26. Opinion of Bond Counsel Regarding Guaranty Agreement

A RESOLUTION RECOMMENDING TO THE CITY COUNCIL OF THE CITY OF BRISTOL, TENNESSEE, THE ISSUANCE AND SALE OF NOT TO EXCEED \$24,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE BONDS, SERIES 2005 OF THE CITY OF BRISTOL, TENNESSEE; AND RECOMMENDING THE ADOPTION OF A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF SAID BONDS.

WHEREAS, the City of Bristol, Tennessee (the "Municipality") now owns and operates through the Bristol Tennessee Essential Services System (the "Board") an electric transmission and distribution system (the "System");

WHEREAS, the Board has determined that it is necessary to construct certain improvements to the System (the "Improvements"); and

WHEREAS, in order to provide funds for such purpose, the Board deems it necessary and advisable for the Municipality to issue not to exceed \$24,000,000 in aggregate principal amount of electric system revenue bonds, payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the System;

NOW THEREFORE, BE IT RESOLVED by the Board as follows:

Section 1. For the purpose of providing funds to finance the Improvements and to pay certain costs of the issuance of the bonds described herein, the Board hereby recommends to the City Council of the Municipality that the City Council adopt a resolution authorizing the issuance and sale of bonds of the Municipality in the aggregate principal amount of not to exceed \$24,000,000. The bonds (the "Bonds") shall be called "Electric System Revenue Bonds, Series 2005" and shall bear interest at an aggregate rate not to exceed 6% per annum.

The Bonds shall be payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the System, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System.

The resolution of the Municipality authorizing the Bonds shall include covenants and agreements relating to the security for the Bonds, the operation of the System, management of the financial and other affairs of the System, the issuance of additional bonds payable from the revenues of the System, payment of principal of and interest on the Bonds, defeasance of the Bonds, amendment of the resolution and such other or additional terms and provisions as the General Manager of the System shall deem necessary and desirable in order to market the Bonds at reasonable rates and terms. The General Manager of the System is authorized and directed to negotiate with the Underwriter (hereinafter defined) the specific terms of the Bonds and the resolution authorizing said Bonds and present said resolution to the City Council for adoption. The Board hereby covenants and agrees to be bound by the covenants and agreements set forth in the resolution or incorporated therein by reference in the operation and management of the System and the affairs thereof.

Section 2. Upon adoption by the City Council of the resolution authorizing the Bonds, the Municipality is hereby requested to sell the Bonds at negotiated sale to the Underwriter, subject to final approval by the General Manager of the System. The Chairman of the Board and the General Manager of the System, or either of them, are hereby authorized to take such actions and do such things as shall be necessary to cause the Bonds to be offered for sale, including participating in the preparation of a preliminary and final official statement to be distributed to prospective investors and purchasers of the Bonds in connection with the sale thereof.

Section 3. The Board hereby selects and recommends to the City Council the selection of Wiley Bros. – Aintree Capital, LLC, as the original purchaser and underwriter of the Bonds (the "Underwriter").

Section 4. Notwithstanding anything herein to the contrary, the borrowing recommended herein may be accomplished through a loan agreement between the Municipality and a public building authority located in the State of Tennessee, and the conditions and agreements set forth herein shall apply to such loan agreement.

Section 5. Any officer of the Board or the General Manager of the System is hereby authorized to execute and deliver all certificates and documents as either shall deem necessary and advisable in connection with the sale and delivery of the Bonds.

Adopted and approved this 25th day of May, 2005.


Director

Attest:


Secretary

AFFIDAVIT OF PUBLICATION

State of Virginia
City of Bristol

CITY OF BRISTOL TENNESSEE
Notice of Regular Session Meeting

I, Colleen L. Boyd, do solemnly swear that I am an Advertising Layout / Ad Entry Clerk of the Tri-Cities/Southwest Virginia Regional Group, printed and published, in the Commonwealth of Virginia, and that from my own personal knowledge and reference to the files of said publication the advertisement of legal ad was inserted on date(s) as follows:

Bristol Herald Courier – date(s) 06/05/05

Washington Co. News – date(s) _____

Richlands News Press – date(s) _____

Smyth Co. News – date(s) _____

Bland Messenger – date(s) _____

Wytheville Enterprise – date(s) _____

Floyd Press – date(s) _____

Colleen L. Boyd

Subscribed and sworn to before me this 21ST day of June, 2005.

Elizabeth C. Hatcher
Notary Public

(SEAL)

April 30, 2006

My Commission Expires

Pa

111 Legals

Circuit Court of Bristol, Virginia, in Deed Book 116 at Page 278.

Parcel B

Fronting on the west line of Fairview Street and bounded on the south by Parcel A, on the north and west by Robert Corporation, and being a part of a larger tract conveyed to J. H. Kegley by Bristol Industrial Development Corporation by deed dated August 2, 1961 and of record in the aforesaid Clerk's Office in Deed Book 129 at Page 411.

Tract II

A triangular-shaped parcel of land situated on the southwest side of Columbia Avenue approximately 129.53 feet northwest of Rhode Island Avenue, fronting 134.5 feet along the southwest side of Columbia Avenue, and adjoining the property of Gordon Garment Company on the rear, containing 3,340 square feet or 0.077 acre; and being the same property conveyed to J. H. Kegley by Helen V. Kingsolver by deed dated March 31, 1980 and recorded in Deed Book 217 at Page 20 in the Clerk's Office of the Circuit Court for the City of Bristol, Virginia.

Tract III

Consisting of Lots D, E and F of Block 8 of the Fairview Addition fronting on the north side of Bluff Street, and being all of the same property conveyed to J. H. Kegley and Pauline N. Kegley, partners, by deed dated September 15, 1981, and recorded in said Clerk's Office in Deed Book 226 at Page 42.

Being the same property conveyed to Virtex Chemical Corporation by deed dated May 18, 2001 from Homer A. Jones, Jr. and

111 Legals

dance with generally accepted auditing standards for the Virginia Highlands Airport Commission for Fiscal years beginning July 1, 2005 and ending June 30, 2008. The Virginia Highlands Airport Commission will receive proposals until 5:00 p.m., on June 10, 2005.

General Specifications and appointments for review of the Virginia Highlands Commission's Accounting systems may be obtained by calling the Airport Commission at (276) 628-2909 or by writing the Airport Commission at P.O. Box 631, Abingdon, VA 24213-0631.

The Virginia Highlands Airport Commission reserves the right to reject any or all proposals, waive any and all informalities and accept any proposal, either in part or in full deemed advantageous to it.

REQUEST FOR PROPOSAL FOR USED FUEL TRUCK AT Mountain Empire Airport Groseclose, Virginia

The following minimum specifications for this fuel truck shall be satisfied prior to consideration by the Commission:

- *Fuel Truck to be 1999 model or newer with truck cab painted white
- *Must have a new 2,000 - 5,000 gallon stainless steel tank suitable for Aircraft fueling operations
- *Refueling system capable of single point refueling operations
- *Refueling system capable of overwing refueling operations
- *Refueling system warranty for one (1) year from date of purchase
- *Report of mileage and vehicle history (and operating hours of truck if available)

111 Legals

The Sullivan County Purchasing Agent is soliciting the following RFPs to be publicly opened on the date indicated. Please call 423/323-6400 for additional information. E180362(CW)- SPECIAL ED BUSES- 6/1-6/05

NELDA P HULSE

The Bristol Tennessee City Council will meet in regular session on Tuesday, June 7, 2005, 7:00 PM at Slater Community Center, 325 McDowell Street, Bristol, TN.

The Sullivan County Emergency Communications District

9-1-1 will conduct hearing concerning the Budget for July 05 thru June 06. This hearing will be at the Sullivan County Emergency Communications District 9-1-1 building located at 1570 Hwy 394 in Blountville, TN on June 20, 2005 at 6:00 p.m. For any additional information please call 423/279-7612.

Used Equipment for Sale

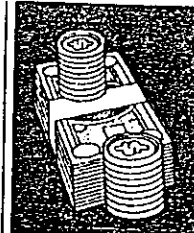
Bristol Virginia Utilities is accepting sealed bids for the sale of one 1991 GMC 1500 2x4 Pickup Truck VIN# 1GTDC14Z0MZ51175 1 with 136020 miles and is being sold "AS IS". Vehicle may be inspected at Bristol Virginia Utilities Garage from 3 to 5 PM daily. All bids must be submitted by June 15, 2005 at 2PM for consideration.



150 ANNOUNCEMENTS

151 Special Notices

Fleenors Memorial Church
Bristol, TN



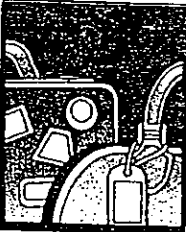
200 FINANCIAL

275 Business Opportunities (Financial)

Bristol Route Executive level income. Absolutely no selling. 30 accounts & inventory for \$12,950. 800-373-5470

Local Biz's For Sale

*Country Store
*Deli/Ice Cream Gifts
423-282-2028
www.southcentralnetwork.com



300 MERCHANDISE

305 Merchandise For Sale

03Honda Civic Dr EX front bumper \$100.00, tail lights \$75.00 423-349-5103

14 LP, such artist as Harry James, Louie Armstrong, and others. \$15(423) 968-9179

(2) 12" Adrenaline Subs in bandpass box & 1200 watt Sony Explode AMP, 6 mos old \$250 obo 276/669-5823

2 pair Navy Blue Drapes 96-84, \$25 pair (276) 669-7503

4 Mustang Pony Wheels & Tires, \$500 obo (423) 989-9253

5 1/2-ft Tri-fold Alum Tailgate Ramp \$150 (276) 669-4593

60/40 POWER SEAT 90'S CHEV TRUCK LIKE NEW \$300.00 423-753-0086 B/48 PM

6x10 Utility Trailer 2x6 treated flr. new

305 Merchandise Sale

Extension M Fits Dodge 1 \$10 each (276) 783-2

Furace-Miller 80K BTU's exc w/ oil tank OBO 804-784-3 405-3044 Bent A

MUST'S

Garage D 10' comp with op and 2 rem Like new. 423-968-3231

Gas Grill For Sale Steel Table \$150 both. 276-466-19

Golf Clubs, c built, Fila, wtl 1, 3, & 5 wood sandwedge \$75 (423) 844-04

Great for F Day 70" Big TV Yes you right, a 70" M shi TV 6'H anything wat fun. Pd \$9000 fice \$4100 (276) 3777

Grill, George F. man, large, us times. \$25 (276) 669-55

Handicap ramp, platform 5'8" x5' Free. (423) 764-94

Hedge trimmers, sets, \$50 for all. (423) 366-1074

Knight 50 ca Mussel loaded, tasco scope, new, \$375 (423) 2230

LADY'S BRIDA RING SET! \$64 14K white gold 1/2K diamond 256-493-8584

Light, bathr vanity \$15. 968-9179

Magazines, Filer Stream, Outdoor Life, Sports & Fi 50's-70's \$300 (276) 646-8064

Mattress, 2 que size, clean, nice \$75. ea. (423) 968-2773

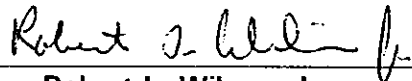
Mens Leather H shoes, Brown, N Used (276) 669-750

Mower, Murr. Briggs & Strat 20 inch cut. (423) 968-4660

CERTIFICATE OF AUTHENTICITY

The undersigned, being the duly appointed recorder of the City of Bristol Tennessee, and lawful custodian of the official public records of such municipality, do hereby certify that the attached is a true copy of Resolution No. 05-56 which was duly adopted by the City Council of the City of Bristol Tennessee on June 7, 2005, the original of which is on file in the city offices.

Witness my hand, under the official seal of the City of Bristol Tennessee, affixed on this the 27th day of July, 2005.



Robert L. Wilson, Jr.

City Recorder

City of Bristol Tennessee

Resolution No. 05-56

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$24,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE BONDS, SERIES 2005 OF THE CITY OF BRISTOL, TENNESSEE; MAKING PROVISION FOR THE ISSUANCE, SALE AND PAYMENT OF SAID BONDS; ESTABLISHING THE TERMS THEREOF AND THE DISPOSITION OF PROCEEDS THEREFROM; PROVIDING FOR THE COLLECTION AND DISPOSITION OF REVENUES FROM THE ELECTRICAL POWER DISTRIBUTION SYSTEM OF THE MUNICIPALITY; AND MAKING PROVISION FOR THE OPERATION OF SAID SYSTEM.

WHEREAS, the City of Bristol, Tennessee (the "Municipality") owns and operates, through Bristol Tennessee Essential Services ("BTES"), an electrical power transmission and distribution system (the "System");

WHEREAS, the Board of Directors of BTES (the "Board") has recommended that the Municipality issue electric system revenue bonds and use the proceeds to finance improvements and extensions to the System, and the City Council of the Municipality believes it to be necessary and advisable and in the public interest to do so; and

WHEREAS, it is the intention of the City Council of the Municipality to adopt this resolution for the purpose of authorizing not to exceed \$24,000,000 in aggregate principal amount of electric system revenue bonds for the purposes described above; establishing the terms of the bonds; and providing for the issuance, sale and payment of said bonds, the disposition of proceeds therefrom, and the collection of revenues from the System and the application thereof to the payment of principal of, premium, if any, and interest on said bonds;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Bristol, Tennessee, as follows:

**ARTICLE I.
DEFINITIONS**

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

"Acquired System" shall mean any electrical power generation, transmission and/or distribution system acquired by the Municipality or BTES and/or any such facilities hereafter constructed or otherwise established by the Municipality or BTES pursuant to the Act.

"Act" shall mean Sections 7-34-101 et seq., Tennessee Code Annotated.

"Balloon Indebtedness" shall mean any bonds, notes or other indebtedness, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve month period.

"Board" means the Board of Directors of BTES.

"Bond Fund" shall mean the Series 2005 Principal and Interest Sinking Fund established pursuant to Section 6.1(b) hereof.

"Bond Purchase Agreement" means the bond purchase agreement providing for the purchase and sale of the Series 2005 Bonds, by and between the Original Purchaser and the Municipality, in substantially the form attached hereto as Exhibit A, with such modifications thereto as shall be necessary to properly describe the Series 2005 Bonds being purchased.

"Bonds" means the Series 2005 Bonds and any Parity Bonds.

"Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical bond certificates in fully registered form are issued to a Depository, or to its nominee as registered owner, with the certificate of bonds being held by and "immobilized" in the custody of such Depository, and under which records maintained by persons, other than the Municipality, BTES or the Registration Agent, constitute the written record that identifies, and records the transfer of, the beneficial "book-entry" interests in those bonds.

"BTES" means Bristol Tennessee Essential Services, a board of public utilities formed pursuant to T.C.A. § 7-52-101 et seq.

"Capital Appreciation Bonds" shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

"Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder.

"Compound Accreted Value" shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

"Construction Fund" means the Series 2005 Construction Fund established pursuant to Article XI of this resolution.

"Consulting Engineer" means (i) an engineering firm or individual engineer employed by the BTES with substantial experience in advising municipal electric power systems as to the construction and maintenance of such systems and in the projection of costs of expansion of such systems or (ii) an engineer or engineers who are employees of BTES whose reports or projections are certified by a Financial Adviser.

"Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the Municipality or BTES provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

"Debt Service Requirement" means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the Municipality or BTES or any paying agent for the Bonds or other obligations of the Municipality or BTES payable from all or some portion of Gross Earnings), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(a) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of BTES, either (A) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (B) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Financial Adviser.

(b) The Debt Service Requirement with respect to any Hedged Obligations for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the Municipality or BTES on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the Municipality or BTES under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the Municipality or BTES on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed (i) by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) or (ii) by using the same assumptions with respect to the Hedged Obligations as may be used for determining the assumed interest rate for Variable Rate Indebtedness.

(c) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of BTES, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the Municipality could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph shall not be applicable for purposes of determining the Debt Service Requirement for purposes of Section 7.4 of this resolution unless the Municipality or BTES has a written commitment from a bank, underwriting firm or other financial institution with a Rating in one of two highest categories of at least one Rating Agency (ignoring any gradations within a Rating Category) to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year.

"Defeasance Obligations" shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of

any agency or instrumentality of the United States or any other obligations which at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in Article XII, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

"Depository" means any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC.

"DTC" means the Depository Trust Company, a limited purpose company organized under the laws of the State of New York, and its successors and assigns.

"DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC System.

"Financial Adviser" means an investment banking or financial advisory firm, commercial bank, or any other person who or which is retained by the Municipality or BTES for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of BTES, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

"Financial Guaranty Agreement" shall mean any Financial Guaranty Agreement authorized herein to be executed in connection with a Reserve Fund Credit Facility.

"Fiscal Year" means the twelve-month period commencing July 1st of each year and ending June 30th of the following year.

"Governing Body" means the City Council of the Municipality.

"Gross Earnings" means all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles; proceeds from the sale of System property; proceeds of System-related insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by this resolution, and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the System); provided, however, at the election of the Board, the term "Gross Earnings" as used herein shall not include any revenues, rentals, earnings or other income received from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds.

"Hedge Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or

designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the Municipality or BTES determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

"Hedged Obligations" means any Bonds for which the Municipality or BTES shall have entered into a Hedge Agreement.

"Hedge Payments" means amounts payable by the Municipality or BTES pursuant to any Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Hedge Period" means the period during which a Hedge Agreement is in effect.

"Hedge Receipts" means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Loan Agreement" shall mean any agreement or contract entered into by the Municipality or BTES whereby a third party agrees to advance funds to the Municipality or BTES and the Municipality or BTES agrees to repay those funds with interest from all or a portion of Gross Earnings.

"Maturity Amount" shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

"Maximum Annual Debt Service Requirement" means the maximum annual Debt Service Requirement for any Fiscal Year.

"Municipality" means the City of Bristol, Tennessee.

"Net Revenues" shall mean (i) Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and further excluding non-cash or non-recurring items, including but not limited to, contributions in aid of construction, less (ii) Operating Expenses.

"Operating Expenses" means and shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of bonds, notes or other debt obligations), insurance expenses, taxes and other governmental charges, the imposition or amount of which is not subject to control of the Board, any payments made by BTES during any Fiscal Year to purchase electrical power for distribution and sale during or after the end of that Fiscal Year, and other payments made under any electrical power supply contract or commodity swap or other hedging mechanism, and any principal or interest payments made by BTES during any Fiscal Year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose of financing the purchase of electrical power, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Operating Expenses do not include depreciation or obsolescence charges or reserves therefore, amortization of intangibles or other bookkeeping entries of a similar nature, on bonds, notes or other debt obligations of the System payable from Net Revenues of the

System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of BTES or expenses of an Acquired System if revenues of the Acquired System are not included in Gross Earnings at the election of the Board.

"Original Purchaser" means Wiley Bros. - Aintree Capital, LLC, Nashville, Tennessee.

"Parity Bonds" means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the Municipality or BTES on a parity with the Series 2005 Bonds herein authorized in accordance with the restrictive provisions of Article IX hereof, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings.

"Project" means extensions and improvements to the System, the acquisition of all property real or personal appurtenant thereto, the pre-purchase of electrical power from the Tennessee Valley Authority, and the payment of legal, fiscal, engineering, architectural and administrative fees in connection therewith.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or "Rating Agency" means Fitch IBCA, Inc., Moody's Investors Service, Inc., and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successors thereto and any other nationally recognized credit rating agency.

"Registration Agent" means the registration and paying agent selected by the Mayor and the Chairman of the Board (or either of them), or any successor designated by the Governing Body.

"Reserve Fund" shall mean the Series 2005 Debt Service Reserve Fund established pursuant to Section 6.1(d) hereof.

"Reserve Fund Credit Facility" means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

"Reserve Fund Credit Facility Issuer" means the issuer of a Reserve Fund Credit Facility rated in the highest rating category by each Rating Agency that rates such Reserve Fund Credit Facility Issuer.

"Reserve Fund Requirement" means the least of (a) 10% of the stated principal amount of the Bonds; (b) the Maximum Annual Debt Service Requirement on the Bonds during the term of the Bonds; or (c) 125% of the average annual principal and interest requirement, when due, on a Fiscal Year basis, including principal payable by reason of the mandatory redemption provisions of any Bonds, on the Bonds

during the term thereof; provided, however, with respect to Variable Rate Indebtedness, it shall be assumed that such Variable Rate Indebtedness bears interest through maturity at that rate which the original purchaser of such Variable Rate Indebtedness certifies as of the date of issuance thereof would have borne had such Variable Rate Indebtedness borne a fixed, constant rate of interest.

"Revenue Fund" shall have the meaning ascribed in Section 6.1 hereof.

"Series 2005 Bonds" means the electric system revenue bonds authorized to be issued by this resolution.

"Short-Term Indebtedness" means bonds, notes, Loan Agreements or other debt obligations, including Variable Rate Indebtedness, maturing five years or less from their date of issuance, issued by the Municipality or BTES as Parity Bonds in accordance with the restrictive provisions of Article IX hereof.

"State" means the State of Tennessee.

"System" means the electrical power distribution system operated by BTES, any electrical power distribution and/or transmission system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by BTES while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Board, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Board, not become a part of the System but be operated as a separate and independent system by BTES with the continuing right, upon the election of the Board, to incorporate such separately Acquired System within the System.

"Termination Payments" means an amount payable by or to the Municipality or BTES upon termination of a Hedge Agreement.

"Variable Rate Indebtedness" means any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Parity Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

ARTICLE II.

AUTHORIZATION AND TERMS OF THE SERIES 2005 BONDS

2.1 Authorization and Purpose. For the purpose of providing funds to finance the Project and to pay costs incident to the issuance and sale of the Series 2005 Bonds, the Governing Body hereby authorizes the issuance of electric system revenue bonds of the Municipality.

2.2 General Terms.

(a) The Series 2005 Bonds shall be issued in an aggregate principal amount not to exceed \$24,000,000.

(b) The Series 2005 Bonds shall be known as "Electric System Revenue Bonds, Series 2005".

(c) The Series 2005 Bonds shall be dated their delivery date.

(d) The Series 2005 Bonds shall be issued in fully registered, book-entry form, without coupons, in \$5,000 denominations or integral multiples thereof as shall be requested by the Original Purchaser.

(e) The Series 2005 Bonds shall bear interest payable semi-annually on March 1 and September 1 of each year the Series 2005 Bonds are outstanding, commencing September 1, 2005, at an aggregate true interest rate not to exceed 5.50% per annum.

(f) The Series 2005 Bonds shall mature on each September 1, commencing no earlier than September 1, 2005 and ending no later than September 1, 2035, in such amounts as shall be established by the Mayor of the Municipality and the Chairman of the Board, or either of them, and set forth in the Bond Purchase Agreement, taking into account the cash flow and operational needs of the System.

2.3 Registration. The Mayor and the Chairman of the Board, or either of them, is hereby authorized to select a registration and paying agent for the Series 2005 Bonds. The Municipality hereby authorizes and directs the Registration Agent to maintain Series 2005 Bond registration records with respect to the Series 2005 Bonds, to authenticate and deliver the Series 2005 Bonds as provided herein, either at original issuance or upon transfer, to effect transfers of the Series 2005 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series 2005 Bonds as provided herein, to cancel and destroy Series 2005 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish the Municipality at least annually a certificate of destruction with respect to Series 2005 Bonds canceled and destroyed, and to furnish the Municipality at least annually an audit confirmation of Series 2005 Bonds paid, Series 2005 Bonds outstanding and payments made with respect to interest on the Series 2005 Bonds. The Mayor of the Municipality is hereby authorized to execute and the Recorder is hereby authorized to attest such written agreement between the Municipality and the Registration Agent as they shall deem necessary and proper with respect to the obligations, duties and rights of the Registration Agent. The payment of all reasonable fees and expenses of the Registration Agent for the discharge of its duties and obligations hereunder or under any such agreement is hereby authorized and directed.

2.4 Payment. The Series 2005 Bonds shall be payable, both principal and interest, in lawful money of the United States of America. The Registration Agent shall make all interest payments with respect to the Series 2005 Bonds by check or draft on each interest payment date directly to the registered owners as shown on the Series 2005 Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by depositing said payment in the United States mail, postage prepaid, addressed to such owners at their addresses shown on said Series 2005 Bond registration records, without, except for final payment, the presentation or surrender of such registered Series 2005 Bonds, and all such payments shall discharge the obligations of the Municipality in respect of such Series 2005 Bonds to the extent of the payments so made. Payment of principal of and premium, if any, on the Series 2005 Bonds shall be made upon presentation and surrender of such Series 2005 Bonds to the Registration Agent as the same shall become due and payable. All rates of interest specified herein shall be computed on the basis of a 360 day year comprised of twelve months of 30 days each. If requested by any registered owner (including DTC) of at least \$1,000,000 in aggregate principal amount of the Series 2005 Bonds, payment of interest on such Series 2005 Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

2.5 Defaulted Interest. Any interest on any Series 2005 Bond that is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid by the Municipality to the persons in whose names the Series 2005 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Municipality shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series 2005 Bond and the date of the proposed payment, and at the same time the Municipality shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than 15 nor less than ten days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Municipality of such Special Record Date and, in the name and at the expense of the Municipality, not less than ten days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Series 2005 Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in the Series 2005 Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Municipality to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Series 2005 Bonds when due.

2.6 Transfer. The Series 2005 Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Series 2005 Bond(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Series 2005 Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series 2005 Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Series 2005 Bond or the Series 2005 Bond to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Series 2005 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series 2005 Bond, nor to transfer or exchange any Series 2005 Bond after the publication of notice calling such Series 2005 Bond for redemption has been made, nor to transfer or exchange any Series 2005 Bond during the period following the receipt of instructions from the Municipality to call such Series 2005 Bond for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. The person in whose name any Series 2005 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Series 2005 Bonds shall be overdue. The Series 2005 Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of the Series 2005 Bonds of the same maturity in any authorized denomination or denominations. No charge shall be made to any registered owner for the privilege of transferring or exchanging any Series 2005 Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer.

2.7 Execution. The Series 2005 Bonds shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf, of the Municipality with the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Recorder.

2.8 Book-Entry Provisions. Notwithstanding anything contained herein to the contrary, the Series 2005 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. References in this Section to a Series 2005 Bond or the Series 2005 Bonds shall be construed to mean the Series 2005 Bond or the Series 2005 Bonds that are held under the Book-Entry System. One Series 2005 Bond for each maturity shall be issued to DTC and immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series 2005 Bonds in authorized denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Series 2005 Bonds. Beneficial ownership interests in the Series 2005 Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive the Series 2005 Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Series 2005 Bonds. Transfers of ownership interests in the Series 2005 Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2005 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2005 BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE REGISTRATION AGENT TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS SERIES 2005 RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Series 2005 Bonds, so long as DTC is the only owner of the Series 2005 Bonds, shall be paid by the Registration Agent directly to DTC or its nominee, Cede & Co. as provided in the Letter of Representation relating to the Municipality (the "Letter of Representation"). DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. The Municipality and the Registration Agent shall not be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as securities depository for the Series 2005 Bonds or (2) the Municipality determines that the continuation of the Book-Entry System of evidence and transfer of ownership of the Series 2005 Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Series 2005 Bonds, the Municipality shall discontinue the Book-Entry System with DTC. If the Municipality fails to identify another qualified securities depository to replace DTC, the Municipality shall cause the Registration Agent to authenticate and deliver replacement Series 2005 Bonds in the form of fully registered Series 2005 Bonds to each Beneficial Owner.

THE MUNICIPALITY AND THE REGISTRATION AGENT SHALL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE SERIES 2005 BONDS; (ii) THE ACCURACY OF ANY

RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2005 BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS, (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2005 BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

The Registration Agent is hereby authorized to take such action as may be necessary from time to time to qualify and maintain the Series 2005 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series 2005 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2005 Bonds and provision of notices with respect to Series 2005 Bonds registered by DTC (or any of its designees identified to the Registration Agent) by overnight delivery, courier service, telegram, telecopy or other similar means of communication. No such arrangements with DTC may adversely affect the interest of any of the owners of the Series 2005 Bonds, provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this section.

2.9 Authentication and Delivery. The Registration Agent is hereby authorized to authenticate and deliver the Series 2005 Bonds to the Original Purchaser, upon receipt by the Municipality of the proceeds of the sale thereof and to authenticate and deliver Series 2005 Bonds in exchange for Series 2005 Bonds of the same principal amount delivered for transfer upon receipt of the Series 2005 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series 2005 Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an officer thereof on the certificate set forth herein on the Series 2005 Bond form.

2.10 Lost and Stolen Bonds. In case any Series 2005 Bond shall become mutilated, or be lost, stolen, or destroyed, the Municipality, in its discretion, shall issue, and the Registration Agent, upon written direction from the Municipality, shall authenticate and deliver, a new Series 2005 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series 2005 Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series 2005 Bond, or if any such Series 2005 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series 2005 Bond the Municipality may pay or authorize payment of such Series 2005 Bond without surrender thereof. In every case the applicant shall furnish evidence satisfactory to the Municipality and the Registration Agent of the destruction, theft or loss of such Series 2005 Bond, and indemnity satisfactory to the Municipality and the Registration Agent; and the Municipality may charge the applicant for the issue of such new Series 2005 Bond an amount sufficient to reimburse the Municipality for the expense incurred by it in the issue thereof.

ARTICLE III. REDEMPTION

3.1 Optional Redemption. The Series 2005 Bonds maturing on or before September 1, 2015 shall not be subject to optional redemption. The Series 2005 Bonds maturing on or after September 1, 2016 shall be subject to redemption at the option of BTES at any time on or after September 1, 2015, in whole or part, at price of par plus interest accrued to the redemption date. If less than all the Series 2005 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its

discretion. If less than all of the Series 2005 Bonds within a single maturity shall be called for redemption, the Bonds within the maturity to be redeemed shall be selected as follows:

(a) if the Series 2005 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2005 Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(b) if the Series 2005 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2005 Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

3.2 Mandatory Redemption. Pursuant to Article X hereof, the Mayor of the Municipality and the Chairman of the Board, or either of them, is authorized to sell the Series 2005 Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as determined by the Mayor of the Municipality and the Chairman of the Board, or either of them. In the event any or all the Series 2005 Bonds are sold as term bonds, the Municipality shall redeem term bonds on redemption dates corresponding to the maturity dates set forth herein, in aggregate principal amounts equal to the maturity amounts set forth herein for each redemption date, as such maturity amounts may be adjusted pursuant to Article X hereof, at a price of par plus accrued interest thereon to the date of redemption. The term bonds to be so redeemed shall be selected in the manner described in subsection (b) above.

At its option, to be exercised on or before the 45th day next preceding any such mandatory redemption date, the Municipality or BTES may (i) deliver to the Registration Agent for cancellation Series 2005 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series 2005 Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2005 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series 2005 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Municipality shall on or before the 45th day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

3.3 Redemption Notice. Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Municipality not less than 30 nor more than 60 days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2005 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Series 2005 Bond registration records of the Registration Agent as of the date of the notice. Failure to mail such notice or any defect in any such notice so mailed shall not affect the sufficiency of the proceedings for redemption of any of the Series 2005 Bonds for which proper notice was given, and failure of any owner to receive such notice if properly given in the manner described above shall not affect the validity of the

proceedings of the redemption of the Series 2005 Bonds held by such owner. As long as DTC, or a successor Depository, is the registered owner of the Series 2005 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series 2005 Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the Municipality pursuant to written instructions from an authorized representative of the Municipality (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein and in the Bond Purchase Agreement) given at least 45 days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Series 2005 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein.

ARTICLE IV. SOURCE OF PAYMENT AND SECURITY

The Bonds shall be payable solely from and secured by a pledge of the Net Revenues. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Net Revenues are hereby irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. The Bonds do not constitute a debt of the State of Tennessee or the City of Bristol (other than with respect to the Net Revenues).

ARTICLE V. FORM OF SERIES 2005 BONDS

The Series 2005 Bonds shall be in substantially the following form, the omissions to be appropriately completed when the Series 2005 Bonds are prepared and delivered:

REGISTERED

REGISTERED

Number ____

\$ _____

UNITED STATES OF AMERICA

STATE OF TENNESSEE

COUNTY OF SULLIVAN

CITY OF BRISTOL, TENNESSEE

ELECTRIC SYSTEM REVENUE BOND, SERIES 2005

Interest Rate: Maturity Date: Date of Bond: CUSIP No.:

Registered Owner:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS: That the City of Bristol, Tennessee, duly incorporated pursuant to the laws of the State of Tennessee (the "Municipality"), for value received hereby promises to pay to the registered owner hereof, hereinabove named, or registered assigns, in the manner

hereinafter provided, the principal amount hereinabove set forth on the maturity date hereinabove set forth, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on said principal amount at the annual rate of interest hereinabove set forth from the date hereof until said maturity date, said interest being payable on September 1, 2005, and semi-annually thereafter on the first day of March and September in each year until this Bond matures or is redeemed. Both principal hereof and interest hereon are payable in lawful money of the United States of America at the principal corporate trust office of _____, as registration agent and paying agent (the "Registration Agent"). The Registration Agent shall make all interest payments with respect to this Bond on each interest payment date to the registered owner hereof shown on the bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at such owner's address shown on said bond registration records (unless the registered owner is DTC, as defined herein, in which case payment shall be in accordance with the policies of DTC), without, except for final payment, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the Municipality to the extent of the payments so made. Any such interest not so punctually paid or duly provided for on any interest payment date shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such defaulted interest shall be payable to the persons in whose name this Bond is registered at the close of business on the date (the "Special Record Date") for payment of such defaulted interest to be fixed by the Registration Agent, notice of which shall be given to the owners of the Bonds of the issue of which this Bond is one not less than ten days prior to such Special Record Date. Payment of principal of and premium, if any, on this Bond shall be made when due upon presentation and surrender of this Bond to the Registration Agent.

Notwithstanding anything herein or in the Resolution to the contrary, as hereinafter defined, this Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds of the series of which this Bond is one. One Bond for each maturity of the Bonds shall be issued to DTC and immobilized in its custody. A book-entry system shall be employed, evidencing ownership of the Bonds in \$5,000 denominations, or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants, as defined in the Resolution (as hereafter defined), pursuant to rules and procedures established by DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Municipality and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Resolution, including receipt of all principal and maturity amounts of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or taking or not taking, or consenting to, certain actions hereunder. Payments of principal, maturity amounts, interest, and redemption premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners, as defined in the Resolution. Neither the Municipality nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants. In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) the Municipality determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Bonds, the Municipality may discontinue the book-entry system with DTC. If the Municipality fails to identify another qualified securities depository to replace DTC, the Municipality shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the Municipality nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records

maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or maturity amounts of and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Beneficial Owners, (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

This Bond is one of a total authorized issue aggregating \$_____ and issued by the Municipality for the purpose of providing funds to construct improvements and extensions to the electric transmission and distribution system (the "System") operated on behalf of the Municipality by Bristol Tennessee Essential Services ("BTES"), to pre-purchase electrical power and to pay the costs of issuance of the Bonds, under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 7-34-101, et seq., Tennessee Code Annotated and pursuant to a resolution duly adopted by the City Council of the Municipality on June 7, 2005 (the "Resolution").

This Bond is payable solely from and secured by a pledge of revenues to be derived from the operation of the System, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System. As provided in the Resolution, the punctual payment of principal of and interest on the series of the Bonds of which this Bond is one, and any other bonds hereafter issued on a parity therewith, shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. Said revenues are required by law and by the proceedings pursuant to which this Bond is issued to be fully sufficient to pay the cost of operating, maintaining, repairing and insuring the System, including reserves therefor, and to pay principal of and interest on this Bond and the issue of which it is a part promptly as each becomes due and payable. BTES has covenanted and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond and the issue of which it is a part as each becomes due. This Bond and the interest hereon are payable solely from the revenues so pledged to the payment hereof, and this Bond does not constitute a debt of the Municipality within the meaning of any statutory limitation. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

[The Bonds of the issue of which this Bond is one shall be subject to redemption prior to maturity at the option of BTES on or after _____, as a whole or in part at any time at the redemption price of par plus interest accrued to the redemption date. If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by BTES, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(a) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(b) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Subject to the credit hereinafter provided, the Municipality shall redeem Bonds maturing _____ on the redemption dates set forth below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Bond is one, or such Person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Final</u> <u>Maturity</u>	<u>Redemption</u> <u>Date</u>	<u>Principal Amount</u> <u>of Bonds</u> <u>Redeemed</u>
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***Final Maturity**

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Municipality or BTES may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.]

Notice of call for redemption[, whether optional or mandatory,] shall be given by the Registration Agent not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any such defect in any such notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which proper notice was given. As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the

payment thereof and if notice has been duly provided as set forth in the Bond Resolution, as hereafter defined.

If this Bond is no longer registered in the name of Cede & Co. as nominee for DTC, this Bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution, as hereafter defined, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Municipality to call such Bond for redemption.

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

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

IN WITNESS WHEREOF, the Municipality has caused this Bond to be signed by its Mayor with his manual signature and attested by its City Recorder with her manual signature under an impression of the corporate seal of the Municipality, all as of the date hereinabove set forth.

CITY OF BRISTOL, TENNESSEE

By: _____
Mayor

(SEAL)

ATTESTED:

City Recorder

Transferable and Payable at: _____

Date of Registration: _____

This Bond is one of the issue of Bonds issued pursuant to the Resolution hereinabove described.

Registration Agent

By: _____
Authorized Officer

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto _____, whose address is _____ (Please insert Federal Identification of Social Security Number of Assignee _____), the within Bond of the City of Bristol, Tennessee, and does hereby irrevocably constitute and appoint _____ attorney, to transfer the said bond on the records kept for registration thereof with full power of substitution in the premises.

Dated: _____

Notice: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without enlargement or alteration, or any change whatsoever.

Signature guaranteed:

Notice: Signature(s) must be guaranteed by a member firm of a Medallion Program acceptable to the Registration Agent.

ARTICLE VI. APPLICATION OF REVENUES

6.1 Application of Revenues. From and after the delivery of any of the Series 2005 Bonds hereunder, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by BTES to the Revenue Fund hereby established (the "Revenue Fund"), administered and controlled by the Board. The funds so deposited in the Revenue Fund created under this Series 2005 Resolution shall be used only as follows:

(a) Operating Expenses. The money in the Revenue Fund shall be used first from month to month for the payment of Operating Expenses.

(b) Bond Fund. The money thereafter remaining in the Revenue Fund shall next be used to make deposits into a separate and special fund, to be known as the "Series 2005 Principal and Interest Sinking Fund" (the "Bond Fund") to be kept separate and apart from all other funds of BTES and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to Article XII hereof, beginning in the month next following delivery of the Series 2005 Bonds.

For the period commencing with the month next following the delivery of any Bonds, to and including the month of the next interest payment date for such Bonds, each monthly deposit as to interest shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Fund, will be equal to interest due on such Bonds on the next interest payment date, and for each six month period thereafter, each monthly deposit as to interest for such Bonds shall be an equal to not less than one-sixth ($1/6^{\text{th}}$) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts.

For the period commencing with the month next following the delivery of any Bonds to and including the month of the next principal payment for such Bonds, each monthly deposit as to principal shall be an amount that, together with all other monthly deposits during such period and amounts otherwise in said Fund, will be equal to the principal due on such Bonds on the next principal payment date (provided that, in the event that the next principal payment date is more than 12 months following the month next following delivery of such Bonds, monthly deposits to the Bond Fund in respect of principal shall begin in the month which is 12 months prior to the month of the next principal payment date), and for each twelve-month period thereafter, each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth ($1/12^{\text{th}}$) of the principal amount or Maturity Amount, as the case may be, coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts. Each deposit as to interest may take into account expected Hedge Payments related to such interest payments.

No further deposit shall be required as to any Bonds when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period, and any related Hedge Payments. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the Municipality or BTES as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds and making any Hedge Payments.

(c) Repayment of Reserve Fund Credit Facility Issuers. The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses

incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement:

(d) Reserve Fund. To the extent the Reserve Fund Requirement for the Bonds is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of BTES, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into a separate and special fund, to be known and designated as the "Series 2005 Debt Service Reserve Fund" (the "Reserve Fund") to be kept separate and apart from all other funds of BTES. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the Reserve Fund Requirement.

In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in said Fund shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments.

Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Operating Expenses, be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by BTES for legally permissible purposes.

At the option of BTES, it may satisfy the Reserve Fund Requirement, or a portion thereof, by providing for the benefit of owners of the Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to the Bonds and release an equal amount of funds on deposit in the Reserve Fund to be used by BTES for legally permissible purposes. In the event any Reserve Fund Credit Facility Issuer, or any successor thereto, shall cease to have a rating required for a Reserve Fund Credit Facility Issuer or any Reserve Fund Credit Facility becomes unenforceable for any reason, within 90 days from the date the Municipality or BTES receives notice of either of said events, the Municipality or BTES shall either substitute a new Reserve Fund Credit Facility or Facilities or commence funding the Reserve Fund from Net Revenues as required by the preceding paragraph hereof, or a combination thereof. At any time during the term hereof, BTES shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor.

In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of Article IX hereof or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, BTES shall satisfy the Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the Reserve Fund Requirement for the Bonds taking into account any funds then

held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect. The Mayor of the Municipality and the Chairman of the Board, or either of them, is authorized to act for the Municipality in determining whether to provide a Reserve Fund Credit Facility for the Bonds.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of BTES, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, BTES, from Revenues after payment of Operating Expenses and satisfaction of the required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of Article XII hereof, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the Municipality or BTES (as applicable) shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this Series 2005 Resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

The Mayor of the Municipality and the Chairman of the Board, or either of them, is hereby authorized and directed to either (1) cause to be deposited to the Reserve Fund Series 2005 Bond proceeds or other funds of BTES in an amount sufficient to cause the amount being held in the Reserve Fund to be equal to the Reserve Requirement for the Series 2005 Bonds or (2) purchase a Reserve Fund Credit Facility in the amount of the Reserve Fund Requirement for the Series 2005 Bonds and to pay the premium therefor from Series 2005 Bond proceeds. In the event the Mayor of the Municipality and the Chairman of the Board, or either of them, elects to fund the Reserve Fund with a Reserve Fund Credit Facility, they are authorized to execute and the City Recorder is authorized to attest a Financial Guaranty Agreement and any associated certificates, as required by the Reserve Fund Credit Facility Issuer.

(e) Surplus Funds. The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by BTES for any legally permissible purpose, as the Board shall determine.

6.2 Hedge Agreement Termination Payments. Termination Payments received in connection with a Hedge Agreement shall be deposited to the Revenue Fund, and Termination Payments required of the Municipality or BTES in connection with a Hedge Agreement shall be paid as a subordinate lien obligation pursuant to Section 6.1(e) hereof.

6.3 Investments and Maintenance of Funds. Money on deposit in the Funds described in this Section may be invested by BTES in such investments as shall be permitted by applicable law, as determined by an authorized representative of BTES, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature or are subject to repurchase more than two years from the date the money is so invested. BTES is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by BTES and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

ARTICLE VII. COVENANTS

7.1 Charges for Services Supplied by the System. While the Bonds remain outstanding and unpaid, BTES covenants and agrees that it will permit no free service to be furnished to any consumer or user whatsoever; that the charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining, operating, repairing and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of this resolution.

BTES covenants that the System will be operated on a fully metered basis and that BTES will bill customers of the System on a monthly basis and will establish and maintain policies and procedures for discontinuing service to customers with delinquent bills.

7.2 Insurance. The Municipality or BTES (as applicable) shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the Municipality and BTES shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

7.3 Books and Accounts; Audits. BTES will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a

recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of BTES as certified by such accountant or accountants. Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include the following:

- (a) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;
- (b) A statement showing beginning and ending balances of each Fund described herein;
- (c) A balance sheet as of the end of the Fiscal Year;
- (d) The accountant's comments regarding the manner in which BTES has carried out the requirements of this resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;
- (e) A list of insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;
- (f) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;
- (g) The disposition of any Bond proceeds during the Fiscal Year; and
- (h) A statement as to all breaches or defaults hereunder by BTES of which the accountant or accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Operating Expenses. BTES further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within 180 days after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of BTES relating thereto. If BTES fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of BTES.

7.4 Rate Covenant. BTES shall, through the Board, continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

- (a) for 100% of the Operating Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the Board; and
- (b) such that Net Revenues in each Fiscal Year:

(i) will equal at least 120% of the Debt Service Requirement on all Bonds, and 100% of the Debt Service Requirement on all other bonds or other obligations then outstanding for such Fiscal Year;

(ii) will enable BTES to make all required payments, if any, into the Reserve Fund and on any Credit Facility or Hedge Agreement;

(iii) will enable BTES to accumulate an amount, which, in the judgment of the Board, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System; and

(iv) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this resolution from prior Fiscal Years.

7.5 Sale or Disposal of System. The Municipality and BTES will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or otherwise disposed of or any of the System facilities sold at fair market value, provided that:

(a) The Municipality and BTES are in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

(b) Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth herein or in the resolutions authorizing the Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

(c) (i) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System or (ii) the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

(d) If the facilities are being sold or disposed to an entity that is not a state or local government and the facilities were financed with the proceeds of Bonds the interest on which is excludable from gross income for federal income tax purposes, the Municipality or BTES shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient

operation of the System so long as BTES is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

7.6 Budgets. Prior to the beginning of each Fiscal Year, the Board shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Operating Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant set forth in Section 7.4, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request. BTES covenants that Operating Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that BTES will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Operating Expenses and capital expenditures in the budget except upon resolution of the Board.

7.7 Franchises. Neither the Municipality nor BTES will construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently or hereafter served by the Municipality or BTES by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as BTES is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

7.8 Control of System. That for the purpose of assuring the efficient, impartial and nonpolitical operation of said system for the benefit of the Municipality and the Bondholders of the Bonds from time to time outstanding, the complete and independent control and operation of the system shall be vested in the Board, subject, however, to the obligation and duty on the part of said Board to carry out and perform faithfully all of the covenants and agreements contained in this resolution. It is recognized that the operation of said system by said Board is an inducement to prospective purchasers to agree to buy the Bonds, and that it is of importance to such purchasers that the system be so controlled and operated, and it is therefore agreed with the holders from time to time of the Bonds and made a part of the contract rights which will vest in such holders at the time of the delivery of the Series 2005 Bonds that no law which might hereafter be enacted applicable to the control and the operation of the system shall be applicable to or may in any way affect the control and operation of the system or the composition, organization or method of operation of said Board. Notwithstanding anything herein to the contrary, all obligations of the Municipality hereunder with respect to the Bonds and the System shall be exercised and fulfilled by BTES, on behalf of the Municipality.

ARTICLE VIII. REMEDIES OF BOND OWNERS

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon BTES or the Municipality by the provisions of this resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms hereof.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of BTES or the Municipality with power

to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Operating Expenses, and to apply the income and revenues thereof in conformity with the provisions of this resolution.

ARTICLE IX. PROHIBITION OF PRIOR LIEN; PARITY BONDS

9.1 Prohibition of Prior Liens. Neither the Municipality nor BTES will issue other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds.

9.2 Parity Bonds. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on a parity with the Bonds under the following conditions but not otherwise:

(a) Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) or all of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

(i) BTES shall have obtained a report from a Financial Adviser demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, including payments on related Credit Facilities and Hedge Agreements; and

(ii) the requirements of subsections (b)(ii) and (iv) below are met with respect to such refunding.

(b) Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:

(i) There shall have been procured and filed with BTES a report by a Financial Adviser or a certificate by the Chairman of the Board, or his designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, (w) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the delivery of the proposed Parity Bonds and that are not fully reflected in the historical related Net Revenues actually received during such historical period used, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used; (y) if the Municipality or BTES has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (z) if the

Municipality or BTES has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(ii) BTES shall have received, at or before issuance of the Parity Bonds, a report from a Financial Adviser or a certificate of the Chairman of the Board, or his designee, to the effect that (x) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the Reserve Fund Requirement and will be funded to the Reserve Fund Requirement immediately following the issuance of the proposed Parity Bonds.

(iii) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to pre-purchase supplies of electrical power, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

(iv) The Chairman of the Board shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that BTES is in compliance with all requirements of this resolution.

9.3 Applicability of Resolution to Parity Bonds. All the provisions and covenants of this resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance of additional bonds, modification of this resolution, the defeasance of Bonds, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued pursuant to the terms of this Article IX in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

ARTICLE X. SALE OF THE SERIES 2005 BONDS

10.1 Sale of Bonds. The Series 2005 Bonds shall be sold to the Original Purchaser at a price of not less than 99.5% of par, exclusive of original issue discount, plus accrued interest, as a whole or in part, from time to time, as shall be determined by the Mayor of the Municipality and the Chairman of the Board, or either of them, in consultation with the Original Purchaser.

10.2 Amendment of Terms. Notwithstanding any provisions of Article II to the contrary, the Mayor of the Municipality and the Chairman of the Board, or either of them, are further authorized to:

- (a) change the dated date of the Series 2005 Bonds to a date other than their delivery date;
- (b) change the first interest payment date on the Series 2005 Bonds to a date other than September 1, 2005;
- (c) adjust the principal and interest payment dates for the Series 2005 Bonds;

(d) adjust the maturity dates for, and designate maturity amounts of, the Series 2005 Bonds, provided the total principal amount does not exceed the total amount authorized herein and the final maturity date is not later than September 1, 2035;

(e) adjust the Municipality's optional redemption provisions with respect to the Series 2005 Bonds, provided the redemption premium, if any, shall not exceed two percent of the par amount of the Series 2005 Bonds called for redemption; and

(f) sell the Series 2005 Bonds or any maturities thereof as term bonds with mandatory redemption requirements corresponding to the maturities as determined by the Mayor of the Municipality and the Chairman of the Board, or either of them, as they shall deem most advantageous to the Municipality.

The form of the Series 2005 Bond set forth in Article V hereof shall be conformed to reflect any changes made pursuant to this Section 10.2 hereof.

10.3 Bond Purchase Agreement. The Mayor of the Municipality is hereby authorized to execute and the City Recorder is authorized to attest the Bond Purchase Agreement with the Original Purchaser of the Bonds, providing for the purchase and sale of the Bonds. The form of Bond Purchase Agreement attached hereto as Exhibit A is hereby in all respects approved and the Mayor of the Municipality and the City Recorder are hereby authorized and directed to execute and deliver the same on behalf of the Municipality in substantially the form attached hereto as Exhibit A, with such changes as may be approved by the Mayor of the Municipality, his execution thereof to constitute conclusive evidence of his approval of all such changes, provided the Bond Purchase Agreement effects the sale of the Series 2005 Bonds in accordance with the provisions of this Resolution, and is not inconsistent with the terms hereof.

10.4 Closing Certificates and Agreements. The Mayor of the Municipality and the City Recorder, or either of them, are authorized to cause the Series 2005 Bonds to be authenticated by the Registration Agent and delivered to the Original Purchaser, and to execute, publish, and deliver all certificates and documents, as they shall deem necessary in connection with the sale and delivery of the Series 2005 Bonds.

10.5 Bond Insurance. The Mayor shall, in consultation with the Original Purchaser and the Chairman of the Board, cause, if advantageous to the Municipality, all or a portion of the Series 2005 Bonds to be insured by a bond insurance policy issued by a nationally recognized bond insurance company. The Mayor is authorized to enter into agreements required by the bond insurance company with respect to the Series 2005 Bonds to the extent not inconsistent with this Resolution.

ARTICLE XI. DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Series 2005 Bonds shall be used and applied as follows:

(a) any pre-issuance accrued interest shall be deposited to the Bond Fund to be used to pay interest on the Series 2005 Bonds on the first interest payment date following delivery of the Series 2005 Bonds;

(b) if the Mayor and Chairman of the Board elect not to fund the Reserve Fund with a Reserve Fund Credit Facility, then an amount which, together with any funds contributed pursuant to

Section 11.3 below, equals the Reserve Fund Requirement for the Series 2005 Bonds shall be deposited to the Reserve Fund; and

(c) the remainder of the proceeds of the Series 2005 Bonds shall be deposited in a special fund of BTES known as the "Series 2005 Construction Fund" to be kept separate and apart from all other funds of BTES. Moneys in the Construction Fund shall be disbursed solely to pay the costs of the Project, reimburse BTES for amounts previously spent to pay said costs, and pay costs of issuance of the Series 2005 Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Series 2005 Bonds and construction of the Project. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in the Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be deposited to the Bond Fund. Moneys in the Construction Fund shall be invested by BTES in such investments as shall be permitted by applicable law.

ARTICLE XII. DISCHARGE AND SATISFACTION OF BONDS

If the Municipality or BTES shall pay and discharge the indebtedness evidenced by all or any portion of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Municipality or BTES shall also pay or cause to be paid all other sums payable hereunder by the Municipality or BTES with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Municipality and BTES to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Municipality or BTES shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to BTES, as received by the Registration Agent.

ARTICLE XIII. MODIFICATION OF RESOLUTION

13.1 Amendment Without Bondholder Consent. This resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission herein; provided such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

13.2 Other Amendments. In addition to the amendments to this resolution without the consent of registered owners as referred to in Section 13.1 above, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the Municipality but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the Municipality) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in this resolution; provided, however, that this resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

- (a) Make any change in the maturities or redemption dates of the Bonds;
- (b) Make any change in the rates of interest borne by the Bonds;
- (c) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;
- (d) Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
- (e) Affect the rights of the registered owners of less than all of the Bonds then outstanding; or
- (f) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

13.3 Procedure for Modification. Whenever the Municipality shall propose to amend or modify this resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the Municipality for public inspection.

Whenever at any time within one year from the date of mailing of said notice there shall be filed with the Secretary an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Municipality may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding as in this section defined, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Municipality from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the Municipality office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount (number(s)) of the Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

Notwithstanding the foregoing, if any Bonds are insured by a bond insurance policy, the bond insurer issuing such bond insurance policy shall be entitled to consent to any modifications to this Resolution on behalf of the owners of the Bonds insured by such bond insurer, provided that no bond insurer shall be entitled to consent to any modifications to this Resolution that require the unanimous consent of the owners of the Bonds as described above.

**ARTICLE XIV.
OFFICIAL STATEMENT**

The Mayor of the Municipality and the Chairman of the Board, or either of them, working with the Original Purchaser, are hereby authorized and directed to provide for the preparation and distribution of Preliminary Official Statement describing the Series 2005 Bonds and the Municipality. The Mayor of the Municipality and the Chairman of the Board, 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 Mayor of the Municipality and the Chairman of the Board, or either of them, shall arrange for the delivery to the purchaser of a reasonable number of copies of the Official Statement within seven business days after the Series 2005 Bonds have been sold for delivery by the Original Purchaser to each potential investor requesting a copy of the Official Statement.

The Mayor of the Municipality and the Chairman of the Board, or either of them, are authorized, on behalf of the Municipality, 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 Municipality except for the omission in the Preliminary Official Statement of such pricing and other information.

**ARTICLE XV.
FEDERAL TAX COVENANTS**

BTES and the Municipality recognize that the purchasers and holders of the Series 2005 Bonds will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon is excluded from gross income for purposes of federal income taxation under laws in force on the date of delivery of the Series 2005 Bonds. Accordingly, the Municipality and BTES agree that they shall take no action that may render the interest on any of said Series 2005 Bonds subject to federal income taxation. It is the reasonable expectation of the Municipality and BTES that the proceeds of the Series 2005 Bonds will not be used in a manner which will cause the Series 2005 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Internal Revenue Code of 1986, as amended (the "Code"), including any lawful regulations promulgated or proposed thereunder, and to this end the said proceeds of the Series 2005 Bonds and other related funds established for the purposes herein set out, shall be used and spent expeditiously for the purposes described herein.

The Municipality and BTES further covenant and represent that in the event they shall be required by Section 148(f) of the Code to pay any investment proceeds of the Series 2005 Bonds to the United States government, they will make such payments as and when required by said Section and will take such other actions as shall be necessary or permitted to prevent the interest on the Series 2005 Bonds from becoming subject to inclusion in the gross income for purposes of federal income taxation. The Mayor of the Municipality, the City Recorder and the Chairman of the Board, or any one of them, is authorized and directed to make such certifications in this regard in connection with the sale of the Series 2005 Bonds as any or all shall deem appropriate, and such certifications shall constitute a representation and certification of the System.

**ARTICLE XVI.
CONTINUING DISCLOSURE**

BTES hereby covenants and agrees that it will provide financial information and material event notices if and as required by Rule 15c2-12 of the Securities Exchange Commission for the Series 2005 Bonds. The Mayor of the Municipality or the Chairman of the Board is authorized to execute at the closing of the sale of the Series 2005 Bonds, an agreement for the benefit of and enforceable by the owners of the Series 2005 Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of BTES 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 Series 2005 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause BTES to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specified performance.

**ARTICLE XVII.
MISCELLANEOUS**

17.1 Resolution a Contract. The provisions of this resolution shall constitute a contract between the Municipality, BTES and the registered owners of the Bonds, and after the issuance of the Series 2005 Bonds, no change, variation or alteration of any kind in the provisions of this resolution shall be made in any manner, except as provided in Article XIII hereof, until such time as the Bonds shall have been paid in full or discharged pursuant to Article XII hereof.

17.2 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.

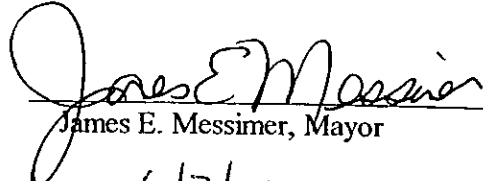
17.3 Ratification of Reimbursement Resolution. The Governing Body hereby ratifies that certain reimbursement resolution adopted by the Board on May 25, 2005 and designates the Board as the proper instrumentality of the Municipality to declare the Municipality's official intent regarding reimbursement of capital expenses of the System from tax-exempt bond proceeds.

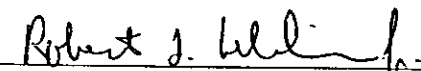
17.4 Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

17.5 Authority. The bonds authorized by this resolution are issued pursuant to the Act and other applicable provisions of law.

(signature page follows)

WHEREUPON, Mayor Messimer declared the Resolution adopted, affixed his signature and the date thereto, and directed that the same be recorded.


James E. Messimer, Mayor
Date: 6/7/05


Robert L. Wilson, Jr., City Recorder

Approved as to Form and Legality
This 7th day of June, 2005

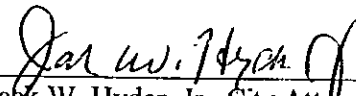

Jack W. Hyde, Jr., City Attorney

EXHIBIT A

FORM OF BOND PURCHASE AGREEMENT

THE CITY OF BRISTOL, TENNESSEE

\$ _____ ELECTRIC SYSTEM REVENUE BONDS, SERIES 2005

BOND PURCHASE AGREEMENT

_____, 2005

City Council
City of Bristol, Tennessee

Ladies and Gentlemen:

The undersigned, Wiley Bros. - Aintree Capital, LLC, Nashville, Tennessee (the "Underwriter"), offers to enter into the following agreement with the City of Bristol, Tennessee (the "Municipality"), which, upon the Municipality's acceptance and approval hereof, will be binding upon the Municipality and upon the Underwriter. This offer is made subject to acceptance by the Municipality, by execution of this Bond Purchase Agreement and its delivery to the Underwriter, on or before 11:59 p.m., central time on the date hereof, and, if not so accepted, will be thereafter subject to withdrawal by the Underwriter upon written notice delivered to the Municipality at any time prior to acceptance by the Municipality.

Capitalized terms used herein and not defined herein shall have the meanings given them in the Resolution (as hereinafter defined).

1. Purchase and Sale of the Bonds.

(a) Upon the basis of the representations, warranties, covenants and agreements herein contained, but subject to the terms and conditions herein set forth, the Underwriter hereby agrees to purchase from the Municipality for offering to the public, and the Municipality hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of not to exceed \$ _____ in aggregate principal amount of Electric System Revenue Bonds, Series 2005, dated the date hereof (the "Bonds") at the purchase price of \$ _____ (consisting of the par amount of the Bonds, less underwriter's discount of \$ _____, less [plus] net original issue discount [premium] of \$ _____, plus interest accrued on the Bonds from their dated date to the Closing Date (as hereinafter defined) of \$ _____). The Bonds shall bear interest, shall mature, shall be redeemable and shall otherwise be as described in Exhibit A attached hereto and incorporated herein by reference.

(b) The Bonds shall be issued and secured under the provisions of a resolution adopted on June 7, 2005 (the "Resolution") by the City Council of the Municipality (the "Board"), providing for the issuance of the Bonds pursuant to Sections 7-34-101 et seq., Tennessee Code Annotated, as amended, and other applicable provisions of law. The Bonds shall be payable solely from and secured by a pledge of the Net Revenues (as defined in the Resolution). The payment of the principal of and interest on the Bonds will be insured by an insurance policy (the "Policy") issued by _____ (the "Bond Insurer").

(c) The proceeds to be received by the Municipality from the sale of the Bonds are for the purpose of providing funds to finance improvements to the System and pay costs of

issuance and sale of the Bonds, including the premium for the Policy to be issued by the Bond Insurer.

(d) After acceptance of this offer by the Municipality, the Underwriter agrees to make a bona fide public offering of all the Bonds at prices not in excess of the initial public offering prices (which may be expressed in terms of yield) set forth on the cover page of the Official Statement, dated the date hereof (the "Official Statement"). The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts) at prices lower than such initial public offering prices in the sole discretion of the Underwriter. Subsequent to such initial public offering, the Underwriter reserves the right to change the public offering prices as it may deem necessary in connection with the marketing of the Bonds.

(e) At the time of the Municipality's acceptance hereof (or as soon as reasonably practicable thereafter, but no later than the Closing (as hereinafter defined)), the Municipality shall have delivered, or caused to be delivered, to the Underwriter: (i) a certified copy of the Resolution; and (ii) a copy of the Official Statement, manually signed on behalf of the Municipality by the Mayor and City Recorder of the Municipality.

(f) The Municipality authorizes the Underwriter to use copies of the Official Statement and the information contained therein in connection with the public offering and sale of the Bonds and agrees not to supplement or amend, or cause to be supplemented or amended, the Official Statement, at any time prior to the Closing, without the consent of the Underwriter. The Municipality ratifies and confirms the use by the Underwriter, prior to the date hereof in connection with the public offering of the Bonds, of the Preliminary Official Statement of the Municipality relating to the Bonds, dated _____, 2005, which with any and all appendices, exhibits, maps, reports and summaries included therein is hereinafter called the "Preliminary Official Statement".

(g) As of its date, the Preliminary Official Statement has been "deemed final" (except for permitted omissions) by the Municipality for purposes of Rule 15c2-12(b)(1) of the Securities and Exchange Commission. The Municipality will deliver, or cause to be delivered, to the Underwriter, promptly after the acceptance hereof, but in any event within seven (7) days of the date hereof, copies of the Official Statement, sufficient to enable the Underwriter to comply with the requirements of Rule 15c2-12 of the Securities Exchange Commission (and the related rules of the Municipal Securities Rulemaking Board).

2. Liquidated Damages. If the Municipality accepts this offer and if the Underwriter fails (other than for a reason permitted hereunder) to accept and pay for the Bonds upon tender thereof by the Municipality at the Closing as herein provided, the parties hereby agree that the damages to the Municipality shall be fixed at one percent (1%) of the aggregate principal amount of the Bonds, and, upon such failure of the Underwriter to accept and pay for the Bonds, the Underwriter shall be obligated to pay to the Municipality such amount as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriter. Upon such payment the Underwriter shall be fully released and discharged of all claims, rights and damages for such failure and for any and all defaults. In no event shall the Municipality be entitled to damages of any nature other than the liquidated damages herein specified.

3. Closing. At 10:00 a.m., central time, on _____, _____, or at such other time or date as shall have been mutually agreed upon by the Municipality and the Underwriter, the Municipality will deliver, or cause to be delivered, to the Underwriter, or such agent as it shall designate, the Bonds, in book-entry form, duly executed on the Municipality's behalf, together with the other

documents hereinafter mentioned, and the Underwriter will accept, or cause to be accepted, such delivery and pay to the Municipality the purchase price of the Bonds in the amount set forth in Section 1 hereof by wire transfer payable in immediately available funds or such other medium of payment as shall be acceptable to the Municipality. Payment for the Bonds as aforesaid shall be made at the offices of Bass, Berry & Sims PLC, Nashville, Tennessee and delivery of the Bonds shall be made through Depository Trust Company, New York, New York, or at such other location mutually acceptable to the parties. Such payment and delivery is herein called the "Closing" and the date of the Closing is herein called the "Closing Date". The Bonds shall be issued initially in \$5,000 denominations or integral multiples thereof as shall be requested by the Underwriter, shall be issued in fully registered book-entry form, without coupons, and shall bear interest at the rates per annum set forth on the attached Exhibit A, payable semi-annually on March 1 and September 1 of each year, commencing September 1, 2005. The Bonds shall bear CUSIP numbers, shall be registered in such names and in such denominations as shall be designated in writing by the Underwriter to the Municipality or to _____, the registration and paying agent for the Bonds (the "Registration Agent"), and shall be duly authenticated by the Registration Agent. The Underwriter hereby instructs that the Bonds be delivered at Closing through The Depository Trust Company's "FAST Program".

4. Representations, Warranties and Covenants of the Municipality. The Municipality, by its acceptance hereof, represents, warrants and covenants to the Underwriter that:

(a) The Municipality is duly incorporated pursuant to the laws of the State of Tennessee;

(b) Except as set forth on Exhibit A, the Resolution has not been amended, restated or supplemented;

(c) The Municipality has and had, as the case may be, full legal right, power and authority to (i) adopt the Resolution and execute and deliver the Official Statement and this Bond Purchase Agreement, (ii) issue, sell and deliver the Bonds to the Underwriter as provided in this Bond Purchase Agreement, the Official Statement and the Resolution, (iii) carry out and consummate all other transactions contemplated by the aforesaid instruments, and (iv) operate the System;

(d) The Municipality has (i) duly adopted the Resolution, (ii) duly authorized the execution, delivery and performance of this Bond Purchase Agreement and the Bonds, (iii) duly authorized the execution, delivery and distribution of the Official Statement, and (iv) duly authorized the taking of any and all such action as may be required on the part of the Municipality to carry out, give effect to and consummate the transactions contemplated by the aforesaid instruments;

(e) The Municipality will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for the distribution of the Bonds; provided, however, that in no event shall the Municipality be required to take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(f) If between the date of this Bond Purchase Agreement and the "end of the underwriting period," as defined in Rule 15c2-12 of the Securities and Exchange Commission, an event occurs, of which the Municipality has knowledge, which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Municipality will notify the Underwriter and, if such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Municipality will, at its expense, amend or supplement the Official Statement in a form and in a manner approved by the Underwriter;

(g) The System has not incurred any material liabilities, direct or contingent, nor has there been any material adverse change in the financial position, results of operations or condition, financial or otherwise, of the System since _____, which is not described in the Official Statement, whether or not arising from transactions in the ordinary course of business;

(h) Between the date hereof and the date of the Closing, the System will not, without the prior written consent of the Underwriter, except as described in or contemplated by the Official Statement, incur any material liabilities, direct or contingent, other than in the ordinary course of business;

(i) To the extent permitted by law, the Municipality agrees to indemnify and hold harmless the Underwriter and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended) the Underwriter and the officers, agents and employees of the Underwriter against any and all losses, claims, damages, liabilities and expenses:

(i) arising out of any statement or information in the Official Statement, relating to the Municipality and the System that is or is alleged to be untrue or incorrect in any material respect or the omission or alleged omission therefrom of any statement or information that should be stated therein or that is necessary to make the statements therein relating to the Municipality and System not misleading in any material respect, and

(ii) to the extent of the aggregate amount paid in settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of the Municipality;

provided, however, that the indemnity agreement contained in this Subsection shall not inure to the benefit of the Underwriter (or to the benefit of any person controlling the Underwriter), if the Underwriter failed to send or give a copy of the Official Statement to such person claiming such loss, damage, liability or expense at or prior to the written confirmation of the sale of Bonds to such person and the Underwriter was required by law to send or give such Official Statement.

In case any claim shall be made or action brought against the Underwriter or any controlling person based upon the Official Statement for which indemnity may be sought against the Municipality, as provided above, the Underwriter shall promptly notify the Municipality in writing setting forth the particulars of such claim or action and the Municipality shall assume the defense thereof, including the retaining of counsel acceptable to the Underwriter and the payment of all expenses. The Underwriter or any such controlling person shall have the right to retain separate counsel in any such action but shall bear the fees and expenses of such counsel unless (i)

the Municipality shall have specifically authorized the retaining of such counsel or (ii) the parties to such suit include such Underwriter or controlling person or persons, and the Municipality and such Underwriter or controlling person or persons have been advised by such counsel that one or more legal defenses may be available to it or them which may not be available to the Municipality, in which case the Municipality shall not be entitled to assume the defense of such suit notwithstanding its obligation to bear the fees and expenses of such counsel.

(j) All the certifications required to be made by the Municipality pursuant to Section 5 hereof are true and correct as of the date hereof.

(k) Any certificate signed by any official of the Municipality which purports to be signed on behalf of the Municipality and which is delivered to the Underwriter shall be deemed to be a representation and warranty by the Municipality to the Underwriter as to the truth of the statements made therein.

(l) For purposes of compliance with Rule 15c2-12, the Municipality will undertake pursuant to the Resolution, a Continuing Disclosure Agreement, to provide notices of the occurrence of certain events, if material under federal securities laws, and certain financial information. A description of these undertakings is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

5. Conditions of Closing. The obligations of the Underwriter hereunder shall be subject to the performance by the Municipality of its obligations to be performed hereunder at or prior to the Closing, to the accuracy of and compliance with the representations, warranties and covenants of the Municipality herein, in each case as of the time of delivery of this Bond Purchase Agreement and as of the Closing, and, in the discretion of the Underwriter, to the following:

(a) at the Closing, (i) the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and the Municipality shall have executed and there shall be in full force and effect such additional agreements, and there shall have been taken in connection therewith and in connection with the issuance of the Bonds all such action as shall, in the opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel ("Bond Counsel") and the Underwriter, be necessary in connection with the transactions contemplated hereby, (ii) the Bonds shall have been duly authorized, executed and delivered as provided herein, (iii) the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriter, and (iv) the Municipality shall perform or have performed all of its obligations under or specified in this Bond Purchase Agreement to be performed at or prior to the Closing;

(b) At or prior to the Closing Date, the Underwriter shall have received the following:

(i) The approving opinion, dated the Closing Date, of Bond Counsel, in substantially the form attached as Appendix F to the Official Statement, addressed to the Municipality and the Underwriter.

(ii) A certificate, dated the Closing Date, signed by the Mayor and City Recorder of the Municipality and the Chairman of the Board, in which such officers, to the best of their knowledge, information and belief, shall state that:

(A) Except as described in the Official Statement, there is no litigation or other legal or governmental action, proceeding, inquiry or investigation of any nature pending on the Closing Date, or to our knowledge threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, application of the proceeds thereof, or the payment, collection or application of income or revenues of the System or the pledge thereof to the payment of the Bonds pursuant to the Resolution; seeking to restrain or enjoin the execution, delivery or performance of the Bond Purchase Agreement or the Escrow Agreement; in any manner questioning the proceedings or authority pursuant to which the Bonds are authorized or issued; in any manner questioning or relating to the validity of the Bonds, the Resolution or the Bond Purchase Agreement; contesting in any way the completeness or accuracy of the Official Statement; in any way contesting the corporate existence or boundaries of the Municipality or the title of its present officers to their respective offices; or contesting the powers of the Municipality or its authority with respect to the Bonds, the Resolution, the Bond Purchase Agreement or the Official Statement, or any act to be done or documents or certificates to be executed or delivered in connection with any of them.

(B) The Resolution is as of the Closing Date in full force and effect and has not been amended, modified or supplemented, except as provided herein.

(C) The execution and delivery of the Bond Purchase Agreement, the Escrow Agreement and the Bonds, the adoption of the Resolution, and the compliance by the Municipality with the terms and provisions thereof, will not conflict with, or result in any violation of any provision of the Resolution or similar incorporating or governing documents of the Municipality or of any amendments to any of the foregoing or any indenture, mortgage, deed of trust or other agreement or instrument to which the Municipality is a party or by which it or its properties are bound and will not violate any decree, order, injunction, judgment, determination or award to which the Municipality or its properties are subject.

(D) The Municipality has complied with all the requirements and satisfied all the conditions on its part to be performed or satisfied at or prior to the delivery of the Bonds.

(E) The descriptions and statements contained in the Official Statement were at the time of its publication and distribution, and are on the Closing Date, true and correct in all material respects, and the Official Statement did not at the time of its publication and distribution, and does not on the Closing Date, contain an untrue statement of a material fact or omit to state a material fact required to be stated where necessary to make the statements made, in light of the circumstances under which they are made, not misleading.

(F) Other than the Bonds, the Municipality does not have outstanding any obligations payable from or secured by or entitled to a lien on the Net Revenues of the System and has not pledged said Net Revenues to secure any such obligations.

(G) Subsequent to _____, there has been no material adverse change in the financial position or results of operations of the Municipality except as set forth in or contemplated by the Official Statement or as described in such certificate;

(iii) An opinion, dated the Closing Date and addressed to the Underwriter, of _____, Counsel to the Municipality, substantially in the form attached hereto as Exhibit B with such changes therein as shall be approved by the Underwriter and Bond Counsel.

(iv) Evidence satisfactory to the Underwriter that the Policy issued by the Bond Insurer is in full force and effect and all conditions precedent to the issuance thereof have been satisfied and all premiums due and payable thereon on the date of Closing have been paid;

(v) A certificate from the Bond Insurer and an opinion from counsel to the Bond Insurer with respect to the valid issuance and effectiveness of the Policy and to the accuracy and completeness of the Official Statement as to the Bond Insurer and the Policy;

(vi) Evidence that Moody's Investors Service, Inc. has issued a rating of "Aaa" for the Bonds; and

(vii) Such additional opinions, certificates (including such certificates as may be required by regulations of the Internal Revenue Service in order to establish the tax exempt character of the Bonds, which certificates shall be satisfactory in form and substance to Bond Counsel and the Underwriter), and other evidence as the Underwriter or Bond Counsel may reasonably deem necessary to evidence the truth or accuracy as of the Closing Date of the representations and warranties of the Municipality herein contained, and of the Official Statement and the due performance and satisfaction by the Municipality at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by it.

The opinions and certificates and other evidence referred to above shall be in form and substance satisfactory to the Underwriter.

If the Municipality shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the Municipality shall be under any further obligation hereunder, except as provided in Section 2 hereof.

6. Termination of Agreement. The Underwriter may terminate this Bond Purchase Agreement, without liability therefor, by notification to the Municipality, if at any time subsequent to the date of this Bond Purchase Agreement and at or prior to the Closing:

(a) legislation shall be enacted by the Congress of the United States or a bill introduced (by amendment or otherwise) or favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States or the Tax Court of the United States shall be rendered, or a ruling, regulation or fiscal action shall be issued or proposed by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency with respect to or having the purpose or effect of including within gross income for federal income tax purposes interest received on bonds of the general character of the Bonds, which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Bonds to be purchased by it; or

(b) any legislation, rule or regulation shall be introduced in, or be enacted by the General Assembly or any department or agency in the State of Tennessee, or a decision by any court of competent jurisdiction within the State of Tennessee shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Bonds to be purchased by it; or

(c) any amendment to the Official Statement is proposed by the Municipality or deemed necessary by Bond Counsel pursuant to Section 4(f) hereof which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Bonds to be purchased by it; or

(d) any fact shall exist or any event shall have occurred which, in the reasonable opinion of the Underwriter, makes the Official Statement, in the form as originally approved by the Municipality, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(e) there shall have occurred any outbreak or escalation of hostilities or any national or international calamity or crisis, financial or otherwise, including a general suspension of trading on any national securities exchange, which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Bonds to be purchased by it; or

(f) legislation shall be enacted or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which, in the reasonable opinion of the Underwriter, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Resolution to be qualified under the Trust Indenture Act of 1939, as amended, or any laws analogous thereto relating to governmental bodies, and compliance therewith cannot be accomplished prior to the Closing; or

(g) a general banking moratorium shall have been declared by United States, New York or Tennessee authorities, which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Bonds to be purchased by it; or

(h) any national securities exchange, or any governmental authority, shall impose, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter.

7. Expenses.

(a) The Municipality agrees to pay all expenses incident to the performance of its obligations hereunder, including but not limited to (i) the cost of the preparation, printing or other reproduction (for distribution prior to, on, or after the date of acceptance of this Bond Purchase Agreement) of reasonable quantities of the Resolution, the Preliminary Official Statement and the Official Statement, including shipping and distribution costs (ii) the cost of printing, signing, registering and authenticating the book-entry Bonds, and (iii) the fees and disbursements of Bond Counsel, Counsel to the Municipality, the Registration Agent, and of any other experts or consultants retained by the Municipality.

(b) In the event that either the Municipality or the Underwriter shall have paid obligations of the other as set forth in this Section, adjustment shall be made.

8. Miscellaneous.

(a) All notices, demands and formal actions hereunder shall be in writing and mailed, telegraphed or delivered to:

The Underwriter:

Wiley Bros. – Aintree Capital, LLC
Attention: Public Finance Department
201 4th Avenue North
Nashville, Tennessee 37219

The Municipality:

City of Bristol, Tennessee
Attention: Mayor
801 Anderson Street
Bristol, Tennessee 37620

This Bond Purchase Agreement will inure to the benefit of and be binding upon the parties and their successors and assigns, and will not confer any rights upon any other person. The terms "successors" and "assigns" shall not include any purchaser of any of the Bonds from the Underwriter merely because of such purchase.

Section headings have been inserted in this Bond Purchase Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Bond Purchase Agreement and will not be used in the interpretation of any provisions of this Bond Purchase Agreement.

If any provision of this Bond Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Bond Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

This Bond Purchase Agreement shall be governed by, and construed in accordance with, the law of the State of Tennessee.

This Bond Purchase Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof.

The Underwriter may waive compliance by the Municipality with any of the conditions, requirements, covenants, warranties or representations set forth herein, but waiver by the Underwriter of

any such compliance shall not be deemed a waiver of compliance with any other of the conditions, requirements, covenants, warranties or representations set forth herein.

WILEY BROS. - AINTREE CAPITAL, LLC

By: _____
Title: _____

Accepted as of the date first
above written:

CITY OF BRISTOL, TENNESSEE

By: _____
Mayor

Attest:

City Recorder

EXHIBIT A

\$ _____ ELECTRIC SYSTEM REVENUE BONDS, SERIES 2005
OF
THE CITY OF BRISTOL, TENNESSEE

The Bonds shall mature on _____ 1 of the years and in the aggregate principal amounts set forth below, and shall bear interest at the rates set forth below.

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
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Subject to the credit hereinafter mentioned, the Municipality shall redeem Bonds maturing on _____, _____, on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected by lot or in such other random manner as the Registration Agent in its discretion may designate. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount to be Redeemed</u>
-----------------	------------------------	----------------------------------------

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Municipality may (i) deliver to the Registration Agent for cancellation Bonds maturing on _____, _____ to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds maturing _____ to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this paragraph) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this Subsection. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Municipality shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

Except as set forth above, the Bonds shall be issued in accordance with the terms of the Resolution.

EXHIBIT B

[Letterhead of _____]

[Closing Date]

Wiley Bros. – Aintree Capital, LLC
201 4th Avenue North
Nashville, Tennessee 37244

Bass, Berry & Sims PLC
315 Deaderick Street, Suite 2700
Nashville, Tennessee 37238

[Bond Insurer]

Re: The City of Bristol, Tennessee (the "Municipality") – \$_____ Electric System
Revenue Bonds, Series 2005 (the "Bonds")

Ladies and Gentlemen:

I have acted as counsel to the Municipality in connection with the issuance, execution, delivery and sale of the Bonds, authorized and issued by the Municipality pursuant to a resolution of the Board of City Council of the Municipality, adopted on June 7, 2005 (the "Resolution") and the sale of the Bonds by the Municipality to Wiley Bros. – Aintree Capital, LLC, Nashville, Tennessee (the "Underwriter") pursuant to a Bond Purchase Agreement, dated _____, 2005 by and between the Municipality and the Underwriter (the "Bond Purchase Agreement"). I have been requested by the Municipality to render this opinion pursuant to Section 5(b)(iii) of the Bond Purchase Agreement. All capitalized terms used but not defined herein shall have the meanings assigned to them in the Bond Purchase Agreement.

In connection with this opinion, I have reviewed the following:

1. The Resolution, and all public notices relating thereto;
2. Such minutes and records of the Municipality as I have deemed necessary to render the opinion set forth herein;
3. The Bond Purchase Agreement;
4. The Preliminary Official Statement, dated _____, 2005 and the Official Statement, dated _____, 2005, published and distributed in connection with the sale of the Bonds (the "Official Statement"); and
5. Such other documents and matters of fact and law as I have deemed necessary in order to render the opinion set forth herein.

As to various issues of fact, I have relied upon the representations and warranties of the Municipality contained in the Bond Purchase Agreement and upon statements and certificates of officers of the Municipality without independent verification or investigation.

Based on my examination, I am of the opinion, as of the date hereof, as follows:

1. The Municipality is duly incorporated pursuant to the laws of the State of Tennessee, and, under applicable law, has all requisite power and authority and all necessary licenses and permits to own and operate its properties, to carry on its activities as now conducted and as presently proposed to be conducted and enter into and perform its obligations under the Resolution and the Bond Purchase Agreement. Except as set forth in the Bond Purchase Agreement, the Resolution hereinabove described has not been amended, modified or supplemented.

2. The Resolution has been duly and lawfully adopted by the City Council of the Municipality at a meeting duly and regularly noticed, called and held with a quorum present and acting throughout, in compliance with Section 8-44-101 et seq., Tennessee Code Annotated, as amended, and has not been amended, modified or supplemented, except as set forth in the Bond Purchase Agreement, and is in full force and effect.

3. To the best of my knowledge, there is no litigation or other legal or governmental action, proceeding, inquiry or investigation of any nature pending on the Closing Date, or threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, application of the proceeds thereof, or the payment, collection or application of income or revenues of the Municipality's electric system (the "System") or the pledge thereof to the payment of the Bonds pursuant to the Resolution; seeking to restrain or enjoin the execution, delivery or performance of the Bond Purchase Agreement; in any manner questioning the proceedings or authority pursuant to which the Bonds are authorized or issued; in any manner questioning or relating to the validity of the Bonds, the Resolution or the Bond Purchase Agreement; contesting in any way the completeness or accuracy of the Official Statement; in any way contesting the corporate existence or boundaries of the Municipality or the title of its present officers to their respective offices; or contesting the powers of the Municipality or its authority with respect to the Bonds, the Resolution, the Bond Purchase Agreement or the Official Statement, or any act to be done or documents or certificates to be executed or delivered in connection with any of them.

4. To the best of my knowledge, the execution and delivery of the Bond Purchase Agreement and the Bonds, the adoption of the Resolution, and the compliance by the Municipality with the terms and provisions thereof, will not conflict with, or result in any violation of any provision of the Resolution or similar incorporating or governing documents of the Municipality or of any amendments to any of the foregoing or any indenture, mortgage, deed of trust or other agreement or instrument to which the Municipality is a party or by which it or its properties are bound and will not violate any decree, order, injunction, judgment, determination or award to which the Municipality or its properties are subject.

5. To the best of my knowledge, the Municipality is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances; and the execution of the documents, taking of the actions, and consummating the transactions described herein will not cause the Municipality to fail to be in such compliance.

No special, local or private act or legislation has been passed by the General Assembly of the State of Tennessee applicable to the Municipality affecting its power to issue the Bonds or pay the principal of, premium, if any, interest on the Bonds when due.

Because the primary purpose of my professional engagement as counsel to the Municipality was not to establish factual matters and because of the wholly or partially non-legal character of many of the determinations involved in the preparation of the Official Statement, I am not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement and make no representation that I have independently verified the accuracy, completeness or fairness of such statements. However, in my capacity as counsel to the Municipality, I have had conferences with the Municipality and others, during which conferences contents of the Official Statement and related matters were discussed. Based on my participation in the above-mentioned conferences, and, in reliance thereon, and on the documents and certifications (as set forth above), I advise you that nothing has come to my attention that would lead me to believe that the Official Statement as of its date and as of the date of this opinion (except for any financial or statistical material included therein, as to which we express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

I hereby certify that James E. Messimer and Robert L. Wilson, Jr. are the duly qualified and acting Mayor and City Recorder, respectively, of the Municipality, and that each of the foregoing has full power to act as such officers on behalf of the Municipality in connection with the execution and delivery of the Bonds.

I express no opinion herein other than as to the law of the State of Tennessee. This opinion is rendered solely for your information in connection with the above-referenced transaction and may not be delivered or quoted to any other person or relied upon for any other purpose without my prior written consent.

Yours very truly,

BRISTOL, TENNESSEE ELECTRIC REVENUE BONDS, SERIES 2005
SCHEDULE OF EVENTS

DATE	EVENT	RESPONSIBILITY
6/2/2005	Determine structure and term of issue	BTES/WB
6/3/2005	Prepare Bond Resolution	BBS
6/6/2005	Prepare Preliminary Official Statement	WB/BBS/BTES
prior to mtg	Publish City Council Meeting Notice	Bristol/BBS
6/7/2005	City Council passes Resolution	Bristol
6/8/2005	Send information to rating agency and prospective insurers	WB
6/20/2005	Conference call with rating agency	WB/BTES
6/28/05***	Price transaction in the market	WB
6/29/2005	Prepare and sign Bond Purchase Agreement	BBS/WB/BTES
6/29/2005	Prepare and distribute final numbers	WB
7/6/2005	Prepare and print final Official Statement	WB/BBS
7/11/2005	Distribute final Official Statement	WB
7/13/2005	Prepare and distribute closing documents	BBS/WB
7/19/2005	Sign closing documents	BTES/Bristol/BBS/WB
7/20/2005	Transfer of funds and closing	BTES/BBS/WB

*** Tentative target date. Actual pricing will depend solely on market conditions.

BTES	Bristol, Tennessee Essential Services
Bristol	Bristol City Officials
WB	Wiley Bros.
BBS	Bass, Berry & Sims, PLC

Financial Guaranty Insurance Policy No. 24321BE (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

REGISTERED
Number 1

REGISTERED
\$440,000

UNITED STATES OF AMERICA
STATE OF TENNESSEE
COUNTY OF SULLIVAN
CITY OF BRISTOL, TENNESSEE
ELECTRIC SYSTEM REVENUE BOND, SERIES 2005

Interest Rate:
3.500%

Maturity Date:
September 1, 2007

Date of Bond:
July 27, 2005

CUSIP No.:
110223 AW 4

Registered Owner: CEDE & CO.

Principal Amount: FOUR HUNDRED FORTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the City of Bristol, Tennessee, a municipal corporation lawfully organized and existing in Sullivan County, Tennessee, (the "Municipality"), for value received hereby promises to pay to the registered owner hereof, hereinabove named, or registered assigns, in the manner hereinafter provided, the principal amount hereinabove set forth on the maturity date hereinabove set forth (or upon earlier redemption as set forth herein), and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on said principal amount at the annual rate of interest hereinabove set forth from the date hereof until said maturity date or redemption date, as set forth herein, said interest being payable on September 1, 2005, and semi-annually thereafter on the first day of March and September in each year until this Bond matures or is redeemed. Both principal hereof and interest hereon are payable in lawful money of the United States of America at the principal corporate trust office of Wachovia Bank, National Association, as registration agent and paying agent (the "Registration Agent"). The Registration Agent shall make all interest payments with respect to this Bond on each interest payment date to the registered owner hereof shown on the bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at such owner's address shown on said bond registration records (unless the registered owner is DTC, as defined herein, in which case payment shall be in accordance with the policies of DTC), without, except for final payment, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the Municipality to the extent of the payments so made. Any such interest not so punctually paid or duly provided for on any interest payment date shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such defaulted interest shall be payable to the persons in whose name this Bond is registered at the close of business on the date (the "Special Record Date") for payment of such defaulted interest to be fixed by the Registration Agent, notice of which shall be given to the owners of the Bonds of the issue of which this Bond is one not less than ten days prior to such Special Record Date. Payment of principal of this Bond shall be made when due upon presentation and surrender of this Bond to the Registration Agent.

Notwithstanding anything herein or in the Resolution to the contrary, as hereinafter defined, this Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds of the series of which this Bond is one. One Bond for each maturity of the Bonds shall be issued to DTC and immobilized in its custody. A book-entry system shall be employed, evidencing ownership of the Bonds in \$5,000 denominations, or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants, as defined in the Resolution (as hereafter defined), pursuant to rules and procedures established by DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Municipality and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Resolution, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or taking or not taking, or consenting to, certain actions hereunder. Payments of principal and interest with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners, as defined in the Resolution. Neither the Municipality nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants. In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) the Municipality determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Bonds, the Municipality may discontinue the book-entry system with DTC. If the Municipality fails to identify another qualified securities depository to replace DTC, the Municipality shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the Municipality nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal amounts of and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Beneficial Owners, (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

This Bond is one of a total authorized issue aggregating \$23,910,000 and issued by the Municipality for the purpose of providing funds to construct improvements and extensions to the Municipality's electric transmission and distribution system (the "System") and to pay the costs of issuance of the Bonds, under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 7-34-101, et seq. Tennessee Code Annotated and pursuant to a resolution duly adopted by the City Council of the Municipality on June 7, 2005 (the "Resolution").

This Bond is payable solely from and secured by a pledge of revenues to be derived from the operation of the Municipality's electrical distribution system (the "System"), subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System. As provided in the Resolution, the punctual payment of principal of and interest on the series of the Bonds of which this Bond is one, and any other bonds hereafter issued on a parity therewith, shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. Said revenues are required by law and by the proceedings pursuant to which this Bond is issued to be fully sufficient to pay the cost of operating, maintaining, repairing and insuring the System, including reserves therefor, and to pay principal of and interest on this Bond and the issue of which it is a part promptly as each becomes due and payable. The Municipality has covenanted and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and

account for sufficient revenues to pay promptly the principal of and interest on this Bond and the issue of which it is a part as each becomes due. This Bond and the interest hereon are payable solely from the revenues so pledged to the payment hereof, and this Bond does not constitute a debt of the Municipality within the meaning of any statutory limitation. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

The Bonds of the issue of which this Bond is one maturing on or before September 1, 2015 shall mature without option of prior redemption. Bonds maturing on September 1, 2016 and thereafter shall be subject to redemption prior to maturity at the option of the Municipality on or after September 1, 2015, as a whole or in part at any time at the redemption price of par plus interest accrued to the redemption date. If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council of the Municipality, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

- (i) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or
- (ii) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Subject to the credit hereinafter mentioned, the Municipality shall redeem Bonds maturing on September 1, 2018, September 1, 2020, September 1, 2022, September 1, 2024, September 1, 2027, September 1, 2029, September 1, 2033, and September 1, 2035 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected by lot or in such other random manner as the Registration Agent in its discretion may designate. The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount to be Redeemed</u>
9/1/2018	9/1/2017	\$625,000
	9/1/2018*	\$655,000
9/1/2020	9/1/2019	\$690,000
	9/1/2020*	\$725,000
9/1/2022	9/1/2021	\$760,000
	9/1/2022*	\$800,000
9/1/2024	9/1/2023	\$835,000
	9/1/2024*	\$880,000

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount to be Redeemed</u>
9/1/2027	9/1/2025	\$920,000
	9/1/2026	\$960,000
	9/1/2027*	\$1,000,000
9/1/2029	9/1/2028	\$1,050,000
	9/1/2029*	\$1,100,000
9/1/2033	9/1/2030	\$1,155,000
	9/1/2031	\$1,205,000
	9/1/2032	\$1,260,000
	9/1/2033*	\$1,315,000
9/1/2035	9/1/2034	\$1,380,000
	9/1/2035*	\$1,450,000

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Municipality may (i) deliver to the Registration Agent for cancellation Bonds maturing on September 1, 2018, September 1, 2020, September 1, 2022, September 1, 2024, September 1, 2027, September 1, 2029, September 1, 2033, and September 1, 2035, to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds maturing in such years to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Municipality shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any such defect in any such notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which proper notice was given. As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the Municipality nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the

Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Bond Resolution, as hereafter defined.

If this Bond is no longer registered in the name of Cede & Co. as nominee for DTC, this Bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution, as hereafter defined, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Municipality to call such Bond for redemption.

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

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

(signature page follows)

IN WITNESS WHEREOF, the Municipality has caused this Bond to be signed by its Mayor with his manual signature and attested by its City Recorder with his manual signature under an impression of the corporate seal of the Municipality, all as of the date hereinabove set forth.

CITY OF BRISTOL, TENNESSEE

By: James E. Messinger
Mayor

(SEAL)

ATTESTED:

Robert J. Allen
City Recorder

Transferable and Payable at: Wachovia Bank, National Association
Nashville, Tennessee

Date of Registration: July 27, 2005

This Bond is one of the issue of Bonds issued pursuant to the Resolution hereinabove described.

Wachovia Bank, National Association,
Registration Agent

By: [Signature]
Authorized Officer

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto _____, whose address is _____ (Please insert Federal Identification or Social Security Number of Assignee _____), the within Bond of the City of Bristol, Tennessee, and does hereby irrevocably constitute and appoint _____, attorney, to transfer the said bond on the records kept for registration thereof with full power of substitution in the premises.

Dated: _____

Notice: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without enlargement or alteration, or any change whatsoever.

Signature guaranteed:

Notice: Signature(s) must be guaranteed by a member firm of a Medallion Program acceptable to the Registration Agent.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 13, 2005

This Official Statement has been prepared by the City of Bristol, Tennessee and provides information on the Series 2005 Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

\$24,000,000*
CITY OF BRISTOL, TENNESSEE
Electric System Revenue Bonds, Series 2005

Dated: Date of Delivery	Due: September 1, as shown below*
Ratings	"Aaa" Moody's Insured "A2" Moody's Underlying
Tax Exemption	Interest on the Bonds is excluded from gross income, and is not included as an item of tax preference, for federal income tax purposes. Interest on the Bonds is free from Tennessee taxes, with certain exceptions.
Interest Payment Dates	March 1 and September 1, beginning September 1, 2005*
Denominations	Multiples of \$5,000
Redemption	Bonds maturing on or after September 1, 2016 are callable at par at any time in any amount on or after September 1, 2015. Bonds maturing on _____ are subject to mandatory sinking fund redemption at par.
Security	The Bonds are limited obligations of the City of Bristol, Tennessee, payable solely from the Net Revenues (defined herein) of the City's electric system.
Bond Insurance	Payment of principal and interest will be guaranteed by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation. Ambac
Purpose	Financing improvements to the City's electric system and pre-purchasing electrical power from the Tennessee Valley Authority.
Bond Counsel	Bass, Berry & Sims PLC, Nashville, Tennessee
Registration and Paying Agent	Wachovia Bank, National Association, Nashville, Tennessee
Book-Entry Only Form	The Depository Trust Company
Delivery Date	July __, 2005

The Bonds were sold at negotiated sale on July __, 2005. The interest rates payable by the City, which are shown below, resulted from the sale of the Bonds.

<u>CUSIP</u>	<u>YEAR (September 1)*</u>	<u>PRINCIPAL AMOUNT*</u>	<u>INTEREST RATE</u>	<u>YIELD</u>	<u>CUSIP</u>	<u>YEAR (September 1)*</u>	<u>PRINCIPAL AMOUNT*</u>	<u>INTEREST RATE</u>	<u>YIELD</u>
	2007	\$450,000	%	%		2022	\$805,000	%	%
	2008	465,000				2023	845,000		
	2009	485,000				2024	890,000		
	2010	500,000				2025	925,000		
	2011	520,000				2026	965,000		
	2012	535,000				2027	1,005,000		
	2013	555,000				2028	1,050,000		
	2014	575,000				2029	1,095,000		
	2015	595,000				2030	1,140,000		
	2016	615,000				2031	1,190,000		
	2017	640,000				2032	1,240,000		
	2018	665,000				2033	1,295,000		
	2019	695,000				2034	1,350,000		
	2020	730,000				2035	1,410,000		
	2021	770,000							

WILEY BROS.
AINTREE CAPITAL, LLC
 INVESTMENTS SINCE 1945

* Preliminary, subject to change.
 _____, 2005

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement in connection with the offering contained herein, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2005 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement has been obtained from representatives of the Municipality and the Bond Insurer, public documents, records and other sources considered reliable. The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information.

The delivery of this Official Statement at any time does not imply that any information herein is correct as of any time subsequent to its date. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not representations of fact.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2005 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") OR ANY STATE SECURITIES AGENCY. THE SERIES 2005 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

In making an investment decision, investors must rely on their own examination of the Municipality, the System, the Bond Insurer and the terms of the offering, including the merits and risks involved. The Series 2005 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2005 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Other than with respect to information concerning the Bond Insurer contained under the caption "THE BOND INSURER AND THE POLICY" and Appendices E and G, none of the information in this Official Statement has been supplied or verified by the Bond Insurer and the Bond Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2005 Bonds; or (iii) the tax exempt status of the interest on the Series 2005 Bonds.

THE CITY OF BRISTOL, TENNESSEE

MAYOR AND CITY COUNCIL

*James E. Messimer – Mayor
David Shumaker – Vice Mayor
Bill Bingham
Margaret Feierabend
Joel Staton*

BRISTOL TENNESSEE ESSENTIAL SERVICES

Board of Directors
*Pat Hickie, Chairman
Bryan Boyd, Vice Chairman
Scott MacMorran
Pete Paty
David Shumaker*

Administration

*Dr. R. Michael Browder, P.E. – General Manager
Wendi Davis – Director of Accounting and Finance*

Legal Counsel

Tom Davenport

BOND COUNSEL

*Bass, Berry & Sims PLC
Nashville, Tennessee*

UNDERWRITER

*Wiley Bros. -Aintree Capital, LLC
Nashville, Tennessee*

COUNSEL TO THE MUNICIPALITY

*Jack Hyder
Bristol, Tennessee*

ACCOUNTANT

*Coulter & Justus, P.C.
Knoxville, Tennessee*

REGISTRATION AND PAYING AGENT

*Wachovia Bank, National Association
Nashville, Tennessee*

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\$24,000,000*
THE CITY OF BRISTOL, TENNESSEE
Electric System Revenue Bonds,
Series 2005

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by the City of Bristol, Tennessee (the "Municipality") of \$24,000,000* in aggregate principal amount of its Electric System Revenue Bonds, Series 2005 (the "Series 2005 Bonds"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Resolution (hereinafter defined). (See Appendix A – Summary of Certain Provisions of the Resolution)

This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2005 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.

The Municipality and the System

The Municipality, the issuer of the Series 2005 Bonds, is a municipal corporation of the State of Tennessee. The Municipality owns and operates an electric transmission and distribution system (the "System") through Bristol Tennessee Essential Services ("BTES"), a board of public utilities and instrumentality of the Municipality established under Tennessee law. BTES is governed by a Board of Directors (the "Board"). See Appendix D.

Purpose of the Series 2005 Bonds

The Series 2005 Bonds are being issued by the Municipality to finance the costs of (i) improving and extending the System, (ii) pre-purchasing electrical power from the Tennessee Valley Authority, and (iii) issuing the Series 2005 Bonds, including the premium for an insurance policy (the "Policy") and a surety bond (the "Surety Bond"), both to be issued by Ambac Assurance Corporation (the "Bond Insurer"). See "PLAN OF FINANCING." For a form of the Surety Bond, see Appendix G.

Security and Sources of Payment for the Series 2005 Bonds

The Series 2005 Bonds and any parity bonds hereafter issued (the "Parity Bonds") are secured by and are payable from a pledge of and lien on the Net Revenues (as defined in Appendix A hereto) derived from the operation of the System. See "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2005 BONDS."

The scheduled payment of principal of and interest on the Series 2005 Bonds when due will be guaranteed under an insurance policy (the "Policy") to be issued concurrently with the delivery of the Series 2005 Bonds by the Bond Insurer. See "THE BOND INSURER AND THE POLICY" and Appendix E.

*As used throughout this Official Statement, asterisks mean that the information is preliminary and subject to change.

Description of the Series 2005 Bonds

Redemption. The Series 2005 Bonds may be redeemed prior to their respective maturities at the option of the Municipality, either in whole or in part, at any time not earlier than September 1, 2015, at a redemption price of par plus accrued interest to the redemption date. The Series 2005 Bonds maturing on _____ and _____ are subject to mandatory sinking fund redemption. See "DESCRIPTION OF THE SERIES 2005 BONDS - Optional Redemption" and "- Mandatory Sinking Fund Redemption."

Denominations. The Series 2005 Bonds are issuable in denominations of \$5,000 or any integral multiple thereof. See "DESCRIPTION OF THE SERIES 2005 BONDS - Denominations, Registration, Transfers and Exchanges."

Registration, Transfers and Exchanges. The Series 2005 Bonds will be issued in fully registered form. When in book-entry form, ownership of Series 2005 Bonds held by The Depository Trust Company ("DTC") or its nominee, Cede & Co., on behalf of the beneficial owners thereof (the "Beneficial Owners"), may be transferred upon delivery to DTC (or its nominee, Cede & Co.) of an assignment duly executed by the Beneficial Owner or his duly authorized attorney or legal representative. When not in book-entry form, ownership of Series 2005 Bonds may be transferred upon surrender of such Series 2005 Bond to the Registration Agent, together with an assignment duly executed by the registered owner or his attorney or legal representative. When not in book-entry form, the Series 2005 Bonds are exchangeable for a like aggregate principal amount of Series 2005 Bonds of the same maturity in denominations of \$5,000 or any integral multiple thereof. See "DESCRIPTION OF THE SERIES 2005 BONDS - Denominations, Registration, Transfers and Exchanges" and "- Book-Entry Only Bonds."

Payments. The Series 2005 Bonds will be dated the date of their delivery. Interest on the Series 2005 Bonds will be payable on March 1 and September 1 of each year (each such date, an "Interest Payment Date"), commencing September 1, 2005*. Payment of the principal of and interest on the Series 2005 Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants (hereinafter defined) and thereafter to Beneficial Owners of the Series 2005 Bonds. When not in book-entry form, interest on the Series 2005 Bonds is payable by check or draft on the Registration Agent mailed by first class mail on the date due to the registered owners. When not in book-entry form, principal of the Series 2005 Bonds is payable upon surrender thereof at the corporate trust office of the Registration Agent located in Nashville, Tennessee. See "DESCRIPTION OF THE SERIES 2005 BONDS - General" and "- Book-Entry Only Bonds."

Notices. Not less than 30 days nor more than 60 days before the date upon which redemption is to be made, a notice of such redemption will be mailed by first class mail, postage prepaid, to all registered owners of Series 2005 Bonds to be redeemed at the addresses which appear upon the bond registration books. See "DESCRIPTION OF THE SERIES 2005 BONDS - Notice of Redemption."

For a more complete description of the Series 2005 Bonds, see "DESCRIPTION OF THE SERIES 2005 BONDS."

Tax Exemption

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the Municipality, interest on the Series 2005 Bonds (including any original issue discount allocable to an owner thereof) will be excluded from gross income for Federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2005 Bonds, see the discussion under the heading "Legal Matters - Opinion of Bond Counsel" herein. Under existing law, the Series 2005 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. See Appendix F for the form of the opinion Bond Counsel proposes to deliver in connection with the issuance of the Series 2005 Bonds. For a more complete discussion of such opinion and certain other tax consequences of owning the Series 2005 Bonds, including certain exceptions to the exclusion of the

interest of the Series 2005 Bonds from gross income, see "LEGAL MATTERS - Opinion of Bond Counsel" and "TAX MATTERS."

Bond Registrar and Paying Agent

Wachovia Bank, National Association, Nashville, Tennessee, will act as Registration and Paying Agent for the Series 2005 Bonds.

Professionals Involved in the Offering

Certain legal matters pertaining to the Municipality and its authorization and issuance of the Series 2005 Bonds are subject to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Copies of Bond Counsel's opinion will be available at the time of delivery of the Series 2005 Bonds, and a copy of the proposed form of such opinion is attached hereto as Appendix F. Certain legal matters will be passed on for the Municipality by its counsel, Jack Hyder, Bristol, Tennessee. The financial statements of the System as of June 30, 2004, and for the year then ended, attached hereto as Appendix C, have been audited by Coulter & Justus, P.C., Knoxville, Tennessee. See "MISCELLANEOUS - Independent Auditors."

Authority for Issuance

The Series 2005 Bonds are being issued in accordance with the Constitution of the State of Tennessee and laws of the State of Tennessee, including Tennessee Code Annotated Sections 7-34-101 et seq., and pursuant to a resolution of the City Council of the Municipality adopted on June 7, 2005 (the "Resolution").

Offering and Delivery of the Series 2005 Bonds

The Series 2005 Bonds are offered when, as, and if issued by the Municipality, subject to prior sale, to the withdrawal or the modification of the offer without notice, and to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. The Series 2005 Bonds are expected to be delivered through The Depository Trust Company in New York, New York, on or about July __, 2005.

Continuing Disclosure

The Municipality has covenanted for the benefit of the owners of the Series 2005 Bonds in a Disclosure Certificate to cause BTES to provide (i) certain financial information and operating data relating to the System (the "Operating and Financial Data") and (ii) notices of the occurrence of certain events, if deemed by BTES to be material (the "Material Events Notices"), to each nationally recognized municipal securities information repository or the Municipal Securities Rulemaking Board and to the State information depository, if any. The Municipality's undertaking to provide Operating and Financial Data and Material Events Notices pursuant to the Disclosure Certificate is described in the form of the Disclosure Certificate attached hereto as Appendix B. The covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule").

Other Information

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Municipality, BTES, the Series 2005 Bonds, and the security and sources of payment for the Series 2005 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Resolution, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2005 Bonds are qualified in their entirety to the form thereof included in the Resolution. Copies of the Resolution and other documents and information are available, upon request and upon payment to BTES of a charge for copying, mailing and handling, from Dr. R. Michael Browder, P.E., General Manager, Bristol Tennessee Essential Services, 2470 Volunteer Parkway, P.O. Box 549, Bristol, Tennessee 37620; telephone (423) 968-1526.

PLAN OF FINANCING

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2005 Bonds are estimated below.

Sources of Funds:

Par Amount of Series 2005 Bonds
Less: Original Issue Discount
Plus: Original Issue Premium

Total Sources of Funds

Uses of Funds:

Deposit to Construction Fund
Costs of Issuance⁽¹⁾

Total Uses of Funds

⁽¹⁾ Includes the premium for the Policy and Surety Bond, legal and accounting fees, Underwriter's fees, rating agency fees, printing and engraving costs, and other costs of issuance.

The Project

A portion of the proceeds of the Series 2005 Bonds are being issued to improve and extend the System and to pre-purchase electrical power from the Tennessee Valley Authority (the "Project"). Pursuant to the Resolution, the proceeds of the Series 2005 Bonds, excluding amounts to pay costs of issuance and underwriter's discount, will be deposited in a construction fund (the "Construction Fund") to be held and invested by BTES, and used to pay costs of the Project. Monies in the Construction Fund may be invested as permitted by Tennessee law and may not be used for any purpose other than the Project.

DESCRIPTION OF THE SERIES 2005 BONDS

General

The Series 2005 Bonds are dated as of the date of their delivery and bear interest from such date at the rates per annum set forth on the cover page of this Official Statement (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2005 Bonds is payable on each Interest Payment Date, commencing September 1, 2005*.

Payment of the principal of and interest on the Series 2005 Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Series 2005 Bonds. See "Book-Entry Only Bonds."

When not in book-entry form, interest on the Series 2005 Bonds will be paid by check or draft on the Registration Agent, and will be mailed on the date due by first class mail to the registered owners of record as of the 15th day of the calendar month (the "Regular Record Date") immediately preceding the applicable Interest Payment Date, at the address shown on the registration books of the Municipality maintained by the Registration Agent. When not in book-entry form, the principal of and redemption premium (if any) on the Series 2005 Bonds will be paid upon the presentation and surrender of the Series 2005 Bonds at the principal corporate trust office of the Registration Agent in Nashville, Tennessee.

Any interest on any Series 2005 Bond that is payable but is not punctually paid or duly provided for on an Interest Payment Date (the "Defaulted Interest") will cease to be payable to the registered owner on the relevant

Regular Record Date; and, in lieu thereof, such Defaulted Interest will be paid by the Municipality to the persons in whose names the Series 2005 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which date will be fixed in the following manner: the Municipality will notify the Registration Agent of the amount of Defaulted Interest proposed to be paid on each Series 2005 Bond and the date of the proposed payment. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent will fix a Special Record Date for the payment of such Defaulted Interest, which date will be not more than 15 nor less than 10 days prior to the date of the proposed payment to the registered owners. The Registration Agent will promptly notify the Municipality of such Special Record Date, and in the manner and at the expense of the Municipality, not less than ten days prior to such Special Record Date, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the registration records maintained by the Registration Agent as to the date of such notice.

Denominations, Registration, Transfers and Exchanges

The Series 2005 Bonds will be issued in fully registered form in the denomination of \$5,000 each or integral multiples thereof. The Series 2005 Bonds will be registered as to principal and interest on the registration books kept by the Registration Agent. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

When in book-entry form, Series 2005 Bonds held by DTC or Cede & Co., as its nominee, on behalf of the Beneficial Owners thereof, are transferable upon delivery to DTC or Cede & Co., as its nominee, of an assignment executed by the Beneficial Owner or the Beneficial Owner's duly authorized attorney. See "Book-Entry Only Bonds."

When not in book-entry form, ownership of any Series 2005 Bond will be transferable upon surrender thereof to the Registration Agent, together with an assignment duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the Registration Agent. Upon any such transfer of ownership, the Registration Agent, will cause to be authenticated and delivered a new Series 2005 Bond or Series 2005 Bonds registered in the name of the transferee in the authorized denomination in the same aggregate principal amount and interest rate as the Series 2005 Bonds surrendered for such transfer. When not in book-entry form, the Series 2005 Bonds may be exchanged for a like principal amount of Series 2005 Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Registration Agent, may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2005 Bonds.

Optional Redemption

The Series 2005 Bonds are subject to redemption prior to maturity at the option of the Municipality on or after September 1, 2015, in whole or in part (with less than all such Series 2005 Bonds of a single maturity to be selected by lot within a maturity in such manner as may be designated by the Registration Agent) at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption

The Series 2005 Bonds maturing on _____, are subject to scheduled mandatory redemption prior to maturity in part (by lot in such manner as may be designated by the Paying Agent) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the dates set forth below (the _____, amount to be paid rather than redeemed):

Date (_____)	Principal Amount
-----------------	---------------------

At its option, to be exercised on or before the 45th day next preceding such scheduled mandatory redemption date, the Municipality, may (a) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2005 Bonds of the same maturity subject to scheduled mandatory redemption which are delivered to the Paying Agent for cancellation and not theretofore applied as a credit against a scheduled mandatory redemption obligation or (b) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2005 Bonds of the same maturity which prior to said date have been redeemed (otherwise than through scheduled mandatory redemption) and canceled by the Paying Agent and not theretofore applied as a credit against said scheduled mandatory redemption obligation. Each Series 2005 Bond so delivered or previously redeemed shall be credited by the Paying Agent, at the principal amount thereof to the obligation of the Municipality on such scheduled mandatory redemption date and the principal amount of the Series 2005 Bonds to be redeemed by operation of such scheduled mandatory redemption on such date shall be accordingly reduced.

Notice of Redemption

Notice of redemption, whether optional or mandatory, will be given by first class mail at least thirty days and not more than sixty days prior to the redemption date, to all registered owners of Series 2005 Bonds to be redeemed at their addresses of record as they appear on the books of the Registration Agent. Failure to mail any such notice, or any defect therein, will not affect the validity of the proceedings for the redemption of any other Series 2005 Bond. Failure of any bondholder to receive such notice if mailed as aforesaid will not affect the validity of the proceedings for the redemption of such Series 2005 Bond. Interest shall cease to accrue on any Series 2005 Bonds duly called for redemption on the redemption date if payment thereof has been duly provided for.

Book-Entry Only Bonds

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2005 Bonds. The Series 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2005 Bond certificate will be issued for each maturity of the Series 2005 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with or on behalf of DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations,

and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2005 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory, or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. if less than all of the Series 2005 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2005 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Municipality as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2005 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registration Agent, or the Municipality, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Municipality or the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the Municipality or the Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2005 Bonds certificates are required to be printed and delivered.

The Municipality may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2005 Bonds certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Municipality believes to be reliable, but the Municipality takes no responsibility for the accuracy thereof.

NEITHER THE MUNICIPALITY NOR THE REGISTRATION AGENT HAS ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (B) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2005 BONDS; (C) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTIONS TO BE GIVEN TO BONDHOLDERS; (D) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2005 BONDS; OR (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED BONDHOLDER.

SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2005 BONDS

General

Neither the full faith and credit nor the taxing power of the Municipality is pledged to the payment of the Series 2005 Bonds. The Series 2005 Bonds are limited obligations of the Municipality, payable solely from the Net Revenues of the System. The Series 2005 Bonds do not constitute a charge, lien or encumbrance upon any other property of the Municipality.

Pledge of Net Revenues

Under the terms of the Resolution, the Series 2005 Bonds and any Parity Bonds are secured by a pledge of and lien on the Net Revenues (as defined in Appendix A hereto).

Flow of Funds

Pursuant to the Resolution, BTES has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund and to apply such moneys in accordance with the Resolution. See Appendix A for a description of the flow of funds.

Rate Covenant

Prior to the commencement of each Fiscal Year, the Board will cause to be made an estimate of the revenues and expenditures for the upcoming Fiscal Year, based on rates then in effect, and, based on such estimate, the Board will adjust rates to the extent necessary to produce Net Revenues for the upcoming Fiscal Year (i) equal to not less than 1.20 times the amount of principal and interest payable during the upcoming Fiscal Year on the outstanding Series 2005 Bonds and Parity Bonds, whether by maturity or mandatory redemption, (ii) sufficient, in addition, to pay any principal and interest payable on subordinate lien bonds and to provide for any required deposits during the upcoming Fiscal Year to the Reserve Fund and any other funds established by BTES pursuant to the Resolution and any resolutions authorizing subordinate lien bonds or pursuant to sound and prudent operating practices as determined by the Board, and (iii) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement, with respect to any Reserve Fund Credit Facility, under any financial guaranty agreement entered into pursuant to the resolutions authorizing any subordinate lien bonds or any reserve fund credit facility provided pursuant to the resolutions authorizing any subordinate lien bonds.

Bond Fund and Debt Service Reserve Fund

BTES has established a Bond Fund and the Debt Service Reserve Fund. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Series 2005 Bonds and any Parity Bonds as the same become due. The money on deposit in the Debt Service Reserve Fund will be used to pay the principal of and interest on the Series 2005 Bonds and any Parity Bonds in the event that amounts on deposit in the Bond Fund are insufficient. The Debt Service Reserve Fund is required to be funded with cash or a Reserve Fund Credit Facility in an amount equal to the Reserve Fund Requirement. The Reserve Fund Requirement for the Series 2005 Bonds will be funded with the Surety Bond. See "THE BOND INSURER AND THE POLICY" and Appendix G.

Parity Bonds

The Municipality may, from time to time, issue Parity Bonds under the terms of the Resolution. Such Parity Bonds will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Series 2005 Bonds. See Appendix A for the conditions under which such Parity Bonds may be issued.

Bond Insurance

The scheduled payment of principal of and interest on the Series 2005 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2005 Bonds by the Bond Insurer. Payment under the Policy is subject to certain conditions described under "THE BOND INSURER AND THE POLICY" herein. The Policy will extend for a term of the Series 2005 Bonds and cannot be canceled. For a description of the Bond Insurer and the terms and conditions of the Municipal Bond Insurance Policy, see "THE BOND INSURER AND THE POLICY" and Appendix E.

THE BOND INSURER AND THE POLICY

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2005 Bonds effective as of the date of issuance of the Series 2005 Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2005 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent/Bond Registrar. The insurance will extend for the term of the Series 2005 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2005 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2005 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2005 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2005 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Registration and Paying Agent has notice that any payment of principal of or interest on a Series 2005 Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2005 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2005 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2005 Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2005 Bond and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$8,585,000,000** (unaudited) and statutory capital of approximately **\$5,251,000,000** (unaudited) as of **March 31, 2005**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple -A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of a Series 2005 Bond by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such Series 2005 Bond and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2005 Bonds.

Ambac Assurance makes no representation regarding the [Obligations] or the advisability of investing in the Series 2005 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "The Bond Insurer and the Policy".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;
2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;
3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;
4. The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005; and
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

Debt Service Reserve Fund; Ambac Assurance Surety Bond

The Resolution requires the establishment of a Debt Service Reserve Fund in an amount equal to the Reserve Fund Requirement. The Resolution authorizes the Obligor to obtain a Surety Bond in place of fully funding the Debt Service Reserve Fund. Accordingly, application has been made to Ambac Assurance Corporation ("Ambac Assurance") for the issuance of a Surety Bond for the purpose of funding the Debt Service Reserve Fund (see Appendix A). The Series 2005 Bonds will only be delivered upon the issuance of such Surety Bond. The premium on the Surety Bond is to be fully paid at or prior to the issuance and delivery of the Series 2005 Bonds. The Surety Bond provides that upon the later of (i) one (1) day after receipt by Ambac Assurance of a demand for payment executed by the Registration and Paying Agent certifying that provision for the payment of principal of or interest on the Series 2005 Bonds when due has not been made or (ii) the interest payment date specified in the Demand for Payment submitted to Ambac Assurance, Ambac Assurance will promptly deposit funds with the Paying Agent sufficient to enable the Paying Agent to make such payments due on the Series 2005 Bonds, but in no event exceeding the Surety Bond Coverage, as defined in the Surety Bond.

Pursuant to the terms of the Surety Bond, the Surety Bond Coverage is automatically reduced to the extent of each payment made by Ambac Assurance under the terms of the Surety Bond and the Obligor is required to reimburse Ambac Assurance for any draws under the Surety Bond with interest at a market rate. Upon such reimbursement, the Surety Bond is reinstated to the extent of each principal reimbursement up to but not exceeding the Surety Bond Coverage. The reimbursement obligation of the Obligor is subordinate to the Obligor's obligations with respect to the Series 2005 Bonds.

In the event the amount on deposit, or credited to the Debt Service Reserve Fund, exceeds the amount of the Surety Bond, any draw on the Surety Bond shall be made only after all the funds in the Debt Service Reserve Fund have been expended. In the event that the amount on deposit in, or credited to, the Debt Service Reserve Fund, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency. The Resolution provides that the Debt Service Reserve Fund shall be replenished in the following priority: (i) principal and interest on the Surety Bond and on any additional Funding Instrument shall be paid from first available revenues on a pro

rata basis; (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Fund to the required level, after taking into account the amounts available under the Surety Bond, shall be deposited from next available revenues.

The Surety Bond does not insure against nonpayment caused by the insolvency or negligence of the Paying Agent.

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DEBT SERVICE SCHEDULE

The following table sets forth the System's debt service requirements during each fiscal year, assuming the issuance of the Series 2005 Bonds. There is no other debt secured by a lien on the Net Revenues of the System.

FISCAL YEAR	SERIES 2005 BONDS*		TOTAL
	PRINCIPAL	INTEREST	
2006	\$0	\$255,239	\$255,239
2007	0	1,020,956	\$1,020,956
2008	450,000	1,020,956	\$1,470,956
2009	465,000	1,005,206	\$1,470,206
2010	485,000	988,931	\$1,473,931
2011	500,000	971,956	\$1,471,956
2012	520,000	954,456	\$1,474,456
2013	535,000	936,256	\$1,471,256
2014	555,000	918,869	\$1,473,869
2015	575,000	899,444	\$1,474,444
2016	595,000	876,444	\$1,471,444
2017	615,000	854,875	\$1,469,875
2018	640,000	832,581	\$1,472,581
2019	665,000	808,581	\$1,473,581
2020	695,000	775,331	\$1,470,331
2021	730,000	740,581	\$1,470,581
2022	770,000	704,081	\$1,474,081
2023	805,000	665,581	\$1,470,581
2024	845,000	625,331	\$1,470,331
2025	890,000	583,081	\$1,473,081
2026	925,000	546,369	\$1,471,369
2027	965,000	507,056	\$1,472,056
2028	1,005,000	466,044	\$1,471,044
2029	1,050,000	423,331	\$1,473,331
2030	1,095,000	378,706	\$1,473,706
2031	1,140,000	332,169	\$1,472,169
2032	1,190,000	283,719	\$1,473,719
2033	1,240,000	231,656	\$1,471,656
2034	1,295,000	177,406	\$1,472,406
2035	1,350,000	120,750	\$1,470,750
2036	1,410,000	61,688	\$1,471,688
TOTAL	\$24,000,000	\$19,967,633	\$43,967,633

*Preliminary, subject to change.

LEGAL MATTERS

Pending Litigation

Each of the Municipality and BTES, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. Each of the Municipality and BTES, after reviewing the current status of all pending and threatened litigation with its counsel believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against it or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the System.

There is no litigation now pending or, to the knowledge of the Municipality or BTES, threatened which restrains or enjoins the issuance or delivery of the Series 2005 Bonds, the use of Net Revenues for the payment of the Series 2005 Bonds, or the use of the proceeds of the Series 2005 Bonds or which questions or contests the validity of the Series 2005 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, or existence of the Municipality or BTES, nor the title of the present members or other officials of the Municipality or BTES to their respective offices, is being contested or questioned.

Opinion of Bond Counsel

Legal matters incident to the authorization, validity, and issuance of the Series 2005 Bonds are subject to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. The form of opinion of Bond Counsel is attached to this Official Statement as Appendix F. Copies of the opinion will be available at the time of the initial delivery of the Series 2005 Bonds.

TAX MATTERS

Federal Taxes

In the opinion of Bass, Berry & Sims PLC, Bond Counsel, interest on the Series 2005 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. Bond Counsel's opinion is subject to the condition that the Municipality comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2005 Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements could cause interest on the Series 2005 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2005 Bonds.

Prospective purchasers of the Series 2005 Bonds should be aware that ownership of the Series 2005 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2005 Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2005 Bonds should consult their tax advisors as to collateral federal income tax consequences.

The initial public offering prices of the Series 2005 Bonds maturing _____ (the "Discount Bonds") are less than the amounts payable at maturity. An amount not less than the difference between the initial public offering price of the Discount Bonds and the amount payable at maturity constitutes "original issue discount," which will be excludable from gross income for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond which is a corporation will be included in the calculation of the corporation's alternative minimum tax liability. Consequently, corporate owners of the Discount

Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the owners of such Discount Bonds have not received cash attributable to such original issue discount in such year.

The initial public offering prices of the Series 2005 Bonds maturing _____ (the "Premium Bonds") are greater than the amounts payable at maturity with respect to such Series 2005 Bonds. The difference between (a) the amount payable at maturity of the Premium Bonds and (b) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of the Premium Bonds of such maturities are sold, will constitute the "original issue premium." Under certain circumstances, as a result of the tax cost reduction requirements of the Code relating to the amortization of bond premium, the owner of a Premium Bond may realize a taxable gain upon its disposition even though the Premium Bond is sold or redeemed for an amount not greater than the owner's original acquisition cost.

Owners of Discount Bonds and Premium Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds or Premium Bonds, other tax consequences of owning Discount Bonds and Premium Bonds, and with respect to the State of Tennessee and local tax consequences of holding such Discount Bonds and Premium Bonds.

State Taxes

Under existing law, the Series 2005 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Series 2005 Bonds during the period the Series 2005 Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2005 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

MISCELLANEOUS

Ratings

Moody's Investors Service, Inc. ("Moody's") has assigned the Series 2005 Bonds a rating of "Aaa" based upon the issuance of the Policy by the Bond Insurer. Moody's has assigned the Series 2005 Bonds an underlying rating of "A2." An explanation of the significance of such ratings may be obtained from the entity furnishing the same.

The above-described ratings are not a recommendation to buy, sell or hold the Series 2005 Bonds. Generally, rating agencies base their ratings on information and materials furnished to the agencies and on investigations, studies and assumptions by the agencies. There is no assurance that the ratings will be maintained for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency furnishing the same if, in such agency's judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2005 Bonds. Neither the Municipality nor the Underwriter has undertaken any responsibility to oppose any revision or withdrawal of the ratings.

Closing Certificates

The Municipality and BTES will deliver to the Underwriter certificates that no litigation is pending or threatened against them which would have a material effect on the issuance or validity of the Series 2005 Bonds or the use of the Net Revenues to pay the Series 2005 Bonds or on the financial condition of the System. In addition, the Municipality and BTES will represent to the Underwriter in the Bond Purchase Agreement that the information contained in this Official Statement does not contain any misrepresentation of a material fact and does not omit or

state any material fact necessary to make the statements herein contained, in light of the circumstances under which they were made, not misleading.

Underwriting

Wiley Bros.-Aintree Capital LLC (the "Underwriter"), has agreed to purchase the Series 2005 Bonds pursuant to a Bond Purchase Agreement entered into between the Municipality and the Underwriter. The Underwriter has agreed to purchase the Series 2005 Bonds at a purchase price of \$ _____, representing the face amount of the Series 2005 Bonds, less original issue discount of \$ _____, less Underwriter's discount of \$ _____, plus accrued interest from the dated date thereof. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2005 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement. The Underwriter intends to offer the Series 2005 Bonds to the public initially at the offering prices shown on the cover page hereof, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with other dealers and underwriters in offering the Series 2005 Bonds to the public. The Underwriter may offer and sell the Series 2005 Bonds to certain dealers at prices lower than the public offering.

Independent Auditors

The financial statements of the System as of June 30, 2004 and for the year then ended, attached hereto as Appendix C, have been audited by Coulter & Justus, P.C., Knoxville, Tennessee, independent auditors, as stated in their report thereon and are included in reliance upon the authority of such firm as independent auditors.

Additional Information

Use of the words "shall" or "will" in this Official Statement in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2005 Bonds.

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AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

The Official Statement has been authorized by the City Council of the Municipality and the Board of BTES. Concurrently with the delivery of the Series 2005 Bonds, the undersigned will furnish their certificates to the effect that nothing has come to their attention which would lead them to believe that this Official Statement contained, as of the date of delivery of the Series 2005 Bonds, any untrue statement of a material fact or omitted to state a material fact which should be included herein for the purposes for which this Official Statement is intended to be used or which is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

City of Bristol, Tennessee
Mayor

Bristol Tennessee Essential Services
Chairman of the Board of Directors

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following briefly summarizes certain terms and provisions of the resolution adopted by the City Council of the Municipality on June 7, 2005, which authorized the issuance and sale of the Series 2005 Bonds (the "Resolution"). This summary is not a complete explanation of the terms and conditions of the Resolution. Reference is made to the Resolution for a complete statement of the terms, provisions and conditions thereof.

Definitions of Certain Terms

"Acquired System" means any electrical power generation, transmission and/or distribution system acquired by the Municipality or BTES and/or any such facilities hereafter constructed, or otherwise established by the Municipality or BTES pursuant to the Act.

"Act" means Sections 7-34-101 *et. seq.*, Tennessee Code Annotated.

"Balloon Indebtedness" means any bonds, notes or other indebtedness, other than Short-Term Indebtedness, twenty-five percent or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such twenty-five percent or more is not to be amortized to below twenty-five percent by mandatory redemption prior to the beginning of such twelve month period.

"Board" means the Board of Directors of BTES.

"Bonds" means the Series 2005 Bonds and any Parity Bonds.

"BTES" means Bristol Tennessee Essential Services.

"Capital Appreciation Bonds" means bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

"Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder.

"Compound Accreted Value" means the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

"Consulting Engineer" means (i) an engineering firm or individual engineer employed by BTES with substantial experience in advising municipal electric power systems as to the construction and maintenance of such systems and in the projection of costs of expansion of such systems, or (ii) an engineer or engineers who are employees of BTES whose reports or projections are certified by a Financial Advisor.

"Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the Municipality or BTES provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

"Debt Service Requirement" means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the Municipality or BTES or any paying agent for the Bonds or other obligations of

the Municipality or BTES payable from all or some portion of Gross Earnings), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(a) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of BTES, either (1) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Financial Adviser.

(b) The Debt Service Requirement with respect to any Hedged Obligations, for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder, shall be calculated by adding (x) the amount of interest payable by the Municipality or BTES on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the Municipality or BTES under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the Municipality or BTES on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed (i) by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period) or (ii) by using the same assumptions with respect to the Hedged Obligations as may be used for determining the assumed interest rate for Variable Rate Indebtedness.

(c) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of BTES, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained in the Resolution, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the Municipality could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph shall not be applicable for purposes of determining the Municipality's Debt Service Requirement for purposes of the Resolution regarding the setting of electric rates, unless the Municipality or BTES has a written commitment from a bank, underwriting firm or other financial institution with a Rating in one of two highest categories of at least one Rating Agency (ignoring any gradations within a Rating Category) to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year.

"Defeasance Obligations" means direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations which at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in the section of the Resolution regarding Defeasance of Bonds, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

"Financial Adviser" means an investment banking or financial advisory firm, commercial bank, or any other person who or which is retained by the Municipality or BTES for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of BTES, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

"Financial Guaranty Agreement" means any financial guaranty agreement or reimbursement agreement authorized to be executed in connection with a Reserve Fund Credit Facility.

"Fiscal Year" means the twelve-month period commencing July 1 of each year and ending June 30 of the following year.

"Governing Body" means the City Council of the Municipality.

"Gross Earnings" means all revenues, rentals, earnings and income of the System from whatever source, determined in accordance with generally accepted accounting principles; proceeds from the sale of System property; proceeds of System-related insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Resolution and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the System); provided, however, at the election of the Board, the term "Gross Earnings" as used in the Resolution shall not include any revenues, rentals, earnings or other income received from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds.

"Hedge Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the Municipality or BTES determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

"Hedged Obligations" means any Bonds for which the Municipality or BTES shall have entered into a Hedge Agreement.

"Hedge Payments" means amounts payable by the Municipality or BTES pursuant to any Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Hedge Period" means the period during which a Hedge Agreement is in effect.

"Hedge Receipts" means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Loan Agreement" means any agreement or contract entered into by the Municipality or BTES whereby a third party agrees to advance funds to the Municipality or BTES and the Municipality or BTES agrees to repay those funds with interest.

"Maturity Amount" means the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

"Maximum Annual Debt Service Requirement" means the maximum annual Debt Service Requirement for any Fiscal Year.

"Municipality" means the City of Bristol, Tennessee.

"Net Revenues" means (1) Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets and further excluding non-cash or non-recurring items, including but not limited to contributions in aid of construction, less (2) Operating Expenses.

"Operating Expenses" means and shall include but not be limited to, expenses for ordinary repairs, removals and replacements of the System, salaries and wages, employees' health, hospitalization, pension and retirement expenses, fees for services, materials and supplies, rents, administrative and general expenses (including legal, engineering, accounting and financial advisory fees and expenses and costs of other consulting or technical services not funded with proceeds of bonds, notes or other debt obligations), insurance expenses, taxes and other governmental charges, the imposition or amount of which is not subject to control of the Board, any payments made by BTES during any Fiscal Year to purchase electrical power for distribution and sale during or after the end of that Fiscal Year, and other payments made under any electrical power supply contract or commodity swap or other hedging mechanism, and any principal or interest payments made by BTES during any Fiscal Year on bonds, notes or other obligations, including loan agreements, issued or entered into for the purpose of financing the purchase of electrical power, and to the extent so provided by the resolution authorizing such bonds, notes or obligations and to the extent not inconsistent with generally accepted accounting principles. Operating Expenses do not include depreciation or obsolescence charges or reserves therefore, amortization of intangibles or other bookkeeping entries of a similar nature, on bonds, notes or other debt obligations of the System payable from Net Revenues of the System, costs or charges made therefor, capital additions, replacements, betterments, extensions or improvements to or retirement from the System which under generally accepted accounting principles are properly chargeable to the capital account or the reserve for depreciation, and do not include losses from the sale, abandonment, reclassification, revaluation or other disposition of any properties of the System, nor such property items, including taxes and fuels, which are capitalized pursuant to the then existing accounting practices of BTES or expenses of an Acquired System if revenues of the Acquired System are not included in Gross Earnings at the election of the Board.

"Parity Bonds" means bonds, notes, loan agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the Municipality or BTES on a parity with the Series 2005 Bonds in accordance with the restrictive provisions of the Resolution, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted in the Resolution or the revenues from such Acquired System are not excluded from Gross Earnings.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or "Rating Agency" means Fitch IBCA, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successors thereto and any other nationally recognized credit rating agency.

"Reserve Fund Credit Facility" means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility Issuer which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

"Reserve Fund Credit Facility Issuer" means the issuer of a Reserve Fund Credit Facility rated in the highest rating category by Standard & Poor's Rating Group, if rated by Standard & Poor's, and Moody's Investors Service, Inc., if rated by Moody's and, A.M. Best & Company, if rated by A.M. Best & Company.

"Reserve Fund Requirement" means the least of (a) 10% of the stated principal amount of the Bonds; (b) the Maximum Annual Debt Service Requirement on the Bonds during the term of the Bonds; or (c) 125% of the average annual principal and interest requirement, when due, on a Fiscal Year basis, including principal payable by reason of the mandatory redemption provisions of any Bonds, on the Bonds during the term thereof; provided, however, with respect to Variable Rate Indebtedness, it shall be assumed that such Variable Rate Indebtedness bears interest through maturity at that rate which the original purchaser of such Variable Rate Indebtedness certifies as of the date of issuance thereof would have borne had such Variable Rate Indebtedness borne a fixed, constant rate of interest.

"Series 2005 Bonds" means the Municipality's Electric System Revenue Bonds, Series 2005, dated the date of their delivery.

"Short-Term Indebtedness" means bonds, notes, loan agreements or other debt obligations, including Variable Rate Indebtedness, maturing five years or less from their date of issuance, issued by the Municipality or BTES as Parity Bonds in accordance with the restrictive provisions of the Resolution.

"System" means the electrical power distribution system operated by BTES and any electrical power distribution and/or transmission system hereafter acquired, constructed or otherwise established, including all improvements and extensions made by BTES while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Board, an Acquired System may be included within the System and become a part thereof or, at the election of the Board, not become a part of the System but be operated as a separate and independent system by the Board with the continuing right, upon the election of the Board, to incorporate such separately Acquired System within the System.

"Termination Payments" means an amount payable by or to the Municipality or BTES upon termination of a Hedge Agreement.

"Variable Rate Indebtedness" means any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by the resolution authorizing such Parity Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

Source and Security of Payment

The Bonds shall be payable solely from and secured by a pledge of the Net Revenues of the System. No owner or holder of any of the Bonds shall have recourse to the taxing power of the City of Bristol, Tennessee.

The punctual payment of principal of, premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of number or time of sale or execution or delivery, and the Net Revenues are irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due.

Application of Revenues and Creation of Funds

From and after the delivery of any of the Bonds, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by BTES in the Revenue Fund established by the Resolution (the "Revenue Fund"), administered and controlled by the Board. The funds so deposited shall be used only as follows:

(a) The money in the Revenue Fund shall be used first from month to month for the payment of Operating Expenses.

(b) The money thereafter remaining in the Revenue Fund shall next be used to make deposits into a separate and special fund, to be known as the "Series 2005 Principal and Interest Sinking Fund" (the "Bond Fund") to be kept separate and apart from all other funds of BTES and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to the provisions of the Resolution, beginning in the month next following delivery of the Series 2005 Bonds. For the period commencing with the month next following the delivery of any Bonds, to and including the month of the next interest payment date for such Bonds, each monthly deposit as to interest shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in said Fund, will be equal to interest due on such Bonds on the next interest payment date, and for each six month period thereafter, each monthly deposit as to interest for such Bonds shall be equal to not less than one-sixth (1/6th) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts. For the period commencing with the month next following the delivery of any Bonds to and including the month of the next principal payment for such Bonds, each monthly deposit as to principal shall be an amount that, together with all other monthly deposits during such period and amounts otherwise in said Fund, will be equal to the principal due on such Bonds on the next principal payment date (provided that, in the event that the next principal payment date is more than 12 months following the month next following delivery of such Bonds, monthly deposits to the Bond Fund in respect of principal shall begin in the month which is 12 months prior to the month of the next principal payment date), and for each twelve-month period thereafter, each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth (1/12th) of the principal amount or Maturity Amount, as the case may be, coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts. Each deposit as to interest may take into account expected Hedge Payments related to such interest payments. No further deposit shall be required as to any Bonds when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period, and any related Hedge Payments. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the Municipality or BTES as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds and making any Hedge Payments.

(c) The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

(d) To the extent the Reserve Fund Requirement for the Bonds is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of BTES, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into a separate and special fund, to be known and designated as the "Series 2005 Debt Service Reserve Fund" (the "Reserve Fund") to be kept separate and apart from all other funds of BTES. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in said Fund shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or

Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Operating Expenses, to be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the Municipality for legally permissible purposes.

At the option of BTES, it may satisfy the Reserve Fund Requirement, or a portion thereof, by providing for the benefit of owners of the Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to the Bonds and release an equal amount of funds on deposit in the Reserve Fund to be used by BTES for legally permissible purposes. In the event any Reserve Fund Credit Facility Issuer, or any successor thereto, shall cease to have a rating required for a Reserve Fund Credit Facility Issuer or any Reserve Fund Credit Facility becomes unenforceable for any reason, within 90 days from the date BTES receives notice of either of said events, BTES shall either substitute a new Reserve Fund Credit Facility or Facilities or commence funding the Reserve Fund from Net Revenues as required by the preceding paragraph hereof, or a combination thereof. At any time during the term of the Resolution, the Municipality or BTES shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions of the Resolution or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, BTES shall satisfy the Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the Reserve Fund Requirement for the Bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of BTES, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, BTES, from Revenues after payment of Operating Expenses and satisfaction of the required deposits to the Bond Fund, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided in the Resolution.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of the Resolution regarding discharge and satisfaction, the terms, covenants, liability and liens provided or created in the Resolution or in any resolution supplemental thereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the Municipality or BTES (as applicable) shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under the Resolution other than remedies that would adversely affect owners of the Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

(e) Termination Payments received in connection with a Hedge Agreement shall be deposited to the Revenue Fund, and Termination Payments required of the Municipality in connection with a Hedge Agreement shall be paid as a subordinate lien obligation pursuant to subsection (f) below.

(f) The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by BTES for any legally permissible purpose, as the Board shall determine.

(g) Money on deposit in the Funds described above may be invested by BTES in such investments as shall be permitted by applicable law, as determined by an authorized representative of BTES, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature or are subject to repurchase more than two years from the date the money is so invested. BTES is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described above.

(h) The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by BTES and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

Covenants Regarding the Operation of the System

In the Resolution, BTES covenants and agrees with the owners of the Bonds, so long as any of the Bonds shall remain outstanding, as follows:

Operation of the System. BTES shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost and conduct all activities associated therewith or incident thereto. BTES will permit no free service to be furnished to any consumer or user whatsoever; that the charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining, operating, repairing and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of the Resolution.

The System will be operated on a fully metered basis and BTES will bill customers of the System on a monthly basis and will establish and maintain policies and procedures for discontinuing service to customers with delinquent bills.

Insurance. The Municipality or BTES (as applicable) shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the Municipality and BTES shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

Records and Accounts. BTES will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of BTES as certified by such

accountant or accountants. Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include the following:

(a) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;

(b) A statement showing beginning and ending balances of each Fund described in the Resolution;

(c) A balance sheet as of the end of the Fiscal Year;

(d) The accountant's comments regarding the manner in which BTES has carried out the requirements of the Resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;

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

(f) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;

(g) The disposition of any Bond proceeds during the Fiscal Year; and

(h) A statement as to all breaches or defaults hereunder by BTES of which the accountant or accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits shall be regarded and paid as Operating Expenses. BTES further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within 180 days after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of BTES relating thereto. If BTES fails to provide the audits and reports required by this subsection, the registered owner or owners of 25% in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of BTES.

Rate Covenant. BTES shall, through the Board, continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

(a) for 100% of the Operating Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by BTES; and

(b) such that Net Revenues in each Fiscal Year:

(i) will equal at least 120% of the Debt Service Requirement on all Bonds, and 100% of the Debt Service Requirement on all other obligations then outstanding for such Fiscal Year;

(ii) will enable BTES to make all required payments, if any, into the Reserve Fund and on any Credit Facility or Hedge Agreement;

(iii) will enable BTES to accumulate an amount, which, in the judgment of the Board, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System; and

(iv) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Resolution from prior Fiscal Years.

If BTES fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of this section in any Fiscal Year, but BTES in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by a Consulting Engineer or Financial Adviser retained by BTES to review the operations of the System, there shall be no breach by BTES of its obligations under the Resolution until at least the end of such next Fiscal Year and only then if Net Revenues are less than the amount required by this section.

Disposal of System. The Municipality and BTES will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or otherwise disposed of or any of the System facilities sold at fair market value, provided that:

(a) The Municipality and BTES are in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

(b) Any sale proceeds will be applied either (i) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (ii) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth in the Resolution or in any resolution authorizing Parity Bonds, or (iii) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (iv) the deposit to a replacement fund to be used to make capital improvements to the System;

(c) (i) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System, or (ii) the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

(d) if the facilities are being sold or disposed to an entity that is not a state or local government and the facilities were financed with the proceeds of Bonds the interest on which is excludable from gross income for federal income tax purposes, the Municipality or BTES shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing in the Resolution is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as BTES is in full compliance with the covenants set forth in the Resolution immediately following such transfer or exchange.

Budget. Prior to the beginning of each Fiscal Year, the Board shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Operating Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the Rate Covenant section set forth above, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request. BTES covenants that Operating Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that BTES will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Operating Expenses and capital expenditures in the budget except upon resolution of the Board.

Franchise. Neither BTES nor the Municipality will construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently or hereafter served by the Municipality or BTES by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing contained in the Resolution shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as BTES is in full compliance with the covenants set forth in the Resolution immediately following such transfer or exchange.

Control of System. The complete and independent control and operation of the System shall be vested in the Board, subject, however, to the obligation and duty on the part of the Board to carry out and perform faithfully all of the covenants and agreements contained in this resolution, as hereafter supplemented or amended. It is agreed with the owners from time to time of the Bonds and made a part of the contract rights which will vest in such owners at the time of delivery of the Series 2005 Bonds that the System shall be continuously operated by the Board, which shall be responsible for the payment of all expenses on a timely manner and collection of all revenues of the System and such revenues shall be used and applied by the Board only for the purposes and at the times and the manner herein specified.

Remedies of Bond Owners

Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the Municipality or BTES by the provisions of the Resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms of the Resolution.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said obligations, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the Municipality or BTES with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Operating Expenses, and to apply the income and revenues thereof in conformity with the provisions of the Resolution.

Prohibition of Prior Lien; Parity Bonds

Neither the Municipality nor BTES will issue other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on a parity with the Series 2005 Bonds under the following conditions but not otherwise:

(a) Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) or all of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

(i) BTES shall have obtained a report from a Financial Adviser demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, including payments on related Credit Facilities and Hedge Agreements; and

(ii) the requirements of subsections (b)(ii) and (iv) below are met with respect to such refunding.

(b) Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:

(i) There shall have been procured and filed with BTES a report by a Financial Adviser or a certificate by the Chairman of the Board, or his designee, to the effect that the historical Net Revenues for either (A) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (B) the most recent audited Fiscal Year, were equal to at least 120% of the Maximum Annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, (w) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to the increased annual amount of Net Revenues attributable to improvements to the System that had been placed in service prior to the delivery of the proposed Parity Bonds and that are not fully reflected in the historical related Net revenues actually received during such historical period used, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used; (y) if the Municipality or BTES has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (z) if the Municipality or BTES has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract; or

(ii) BTES shall have received, at or before issuance of the Parity Bonds, a report from a Financial Adviser or a certificate of the Chairman of the Board, or his designee, to the effect that (x) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the Reserve Fund Requirement and will be funded to the Reserve Fund Requirement immediately following the issuance of the proposed Parity Bonds.

(iii) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to pre-pay for supplies of electrical power, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

(iv) The Chairman of the Board shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that BTES is in compliance with all requirements of the Resolution.

Modification of Resolution

The Resolution may be amended without the consent of or notice to the registered owners of the Bonds or Parity Bonds for the purpose of curing any ambiguity or formal defect or omission in the Resolution.

In addition to the amendments to the Resolution without the consent of registered owners as referred to above, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the Municipality but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the Municipality) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Resolution; provided, however, that the Resolution may not be so modified or amended in such manner, without the consent of 100% of the Bonds, as to:

1. Make any change in the maturities or redemption dates of the Bonds;
2. Make any change in the rates of interest borne by the Bonds;

3. Reduce the amount of the principal payments or redemption premiums payable on the Bonds;
4. Modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
5. Affect the rights of the registered owners of less than all of the Bonds then outstanding; or
6. Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

Whenever the Municipality shall propose to amend or modify the Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the Municipality for public inspection.

Whenever at any time within one (1) year from the date of mailing of said notice there shall be filed with the Secretary of the Governing Body an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Municipality may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as in the Resolution provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the Municipality from taking any action pursuant to the provisions thereof.

Any consent given by the registered owner of a Bond shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond or Parity Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the Municipality office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

Notwithstanding the foregoing, if any Bonds are insured by a bond insurance policy, the bond insurer issuing such bond insurance policy shall be entitled to consent to any modifications to the Resolution on behalf of the owners of the Bonds insured by such bond insurer, provided that no bond insurer shall be entitled to consent to any modifications to this Resolution that require the unanimous consent of the owners of the Bonds as described above.

Discharge and Satisfaction of Bonds

If the Municipality or BTES shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

- (a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the Municipality or BTES shall also pay or cause to be paid all other sums payable hereunder by the Municipality or BTES with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Municipality and BTES to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Municipality or BTES shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in the Resolution, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to the Resolution nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to BTES as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Municipality, as received by the Registration Agent.

APPENDIX B

DISCLOSURE CERTIFICATE

This Disclosure Certificate (this "Disclosure Certificate") is executed and delivered this ____ day of _____, 2005 by the City of Bristol, Tennessee (the "Issuer") in connection with the issuance of \$_____ in aggregate principal amount of its Electric System Revenue Bonds, Series 2005 (the "Series 2005 Bonds"). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Beneficial Owners (as herein defined) of the Series 2005 Bonds and in order to assist the Participating Underwriter (as herein defined) in complying with the Rule (as herein defined). The obligations of the Issuer hereunder shall be assumed and exercised by Bristol Tennessee Essential Services ("BTES") and BTES has evidenced its assumption of such obligations by executing this certificate.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution (as herein defined), which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to the Rule and this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2005 Bonds (including persons holding Series 2005 Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Series 2005 Bonds for federal income tax purposes.

"Fiscal Year" shall mean any period of twelve consecutive months adopted by BTES as the fiscal year for its electric system (the "System") for financial reporting purposes, and shall initially mean the period beginning on July 1 of each calendar year and ending June 30 of the following calendar year.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board, or any successor thereto. Currently, the MSRB's address is:

MSRB
1150 18th Street, N.W.
Suite 400
Washington, DC 20036
Attn: Disclosure

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

Interactive Data
Attention: Repository
100 Williams Street
New York, New York 10038
Telephone: (212) 771-6899
Facsimile: (212) 771-7390
Internet: NRMSIR@interactivedata.com

Bloomberg Municipal Repositories
Post Office Box 840
Princeton, New Jersey 08542-0840
Telephone: (609) 279-3200
Facsimile: (609) 279-5962
Internet: MUNIS@bloomberg.com

Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, New York 10041
Attention: Kenny Repository Service
Telephone: (212) 438-4595
Facsimile: (212) 438-3975

DPC Data, Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Telephone: (201) 346-0701
Facsimile: (201) 947-0107
Internet: nrmsir@dpcdata.com

"Official Statement" shall mean the Official Statement of the Issuer relating to the Series 2005 Bonds.

"Participating Underwriter" shall mean Wiley Bros.-Aintree Capital, LLC, Nashville, Tennessee.

"Repository" shall mean each National Repository and each State Repository.

"Resolution" shall mean the Resolution of the Issuer pursuant to which the Series 2005 Bonds were issued, adopted June 7, 2005.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Tennessee.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) Not later than ten (10) months after the end of the Fiscal Year, commencing with Fiscal Year ending June 30, 2005, the Issuer shall provide an Annual Report to each Repository. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate. Notwithstanding the foregoing, the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report when such audited financial statements are available. In the event that the audited financial statements are not included with the Annual Report and will be submitted at a later date, the Issuer shall include unaudited financial statements of the Issuer in the Annual Report and shall indicate in the Annual Report the date on which the audited financial statements of the Issuer will be submitted. The audited financial statements of the System, when available, will be provided to each Repository.

(b) The Issuer shall also:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any and the MSRB; and

(ii) if the Annual Report (or audited financial statements which were to be separately submitted) is not filed in accordance with subsection (a), send a notice to each National Repository or the MSRB and each State Repository in substantially the form attached as Exhibit A.

SECTION 4. Content of Annual Reports. The System's Annual Report shall contain or incorporate by reference the following:

(a) If audited financial statements for the System are not yet available, the unaudited financial statements for the System, and when audited financial statements are available, the audited financial statements for the System, both such types of financial statements to be prepared in conformity with generally accepted accounting principles, as in effect from time to time. Such financial statements shall be accompanied by an audit report resulting from an audit conducted by an independent certified public accountant or firm of independent certified public accountants in conformity with generally accepted auditing standards.

(b) If the accounting principles changed from the previous Fiscal Year, a description of the impact of the change as required by Section 8 of this Disclosure Certificate.

(c) A statement indicating that the Fiscal Year has not changed, or, if the Fiscal Year has changed, a statement indicating the new Fiscal Year.

(d) An update of the information in Appendix D of the Official Statement under the following headings: Electric Rates; Number of Customers; Summary of Operations; Debt Service Coverage; and Ten Largest Electric Customers.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the Rule), which have been filed in accordance with the Rule and the other rules of the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the Series 2005 Bonds.
- (vii) Modifications to rights of the security holders.
- (viii) Bond calls.
- (ix) Defeasances.

- (x) Release, substitution or sale of property securing repayment of the security.
- (xi) Rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall, within five business days, determine if such event would constitute material information for Beneficial Owners of the Series 2005 Bonds.

(c) If the Issuer determines that knowledge of the occurrence of a Listed Event would be material, the Issuer shall file a notice of such occurrence with each National Repository or the MSRB and each State Repository. Notice of Listed Events described in subsections (a)(viii) and (ix) shall be disseminated automatically, and need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Beneficial Owners of affected Series 2005 Bonds pursuant to the Resolution.

The content of any notice of the occurrence of a Listed Event shall be determined by the Issuer and shall be in substantially the form attached as Exhibit B.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the defeasance (within the meaning of the Rule), prior redemption or payment in full of all of the Series 2005 Bonds. The Issuer shall notify each Repository that the Issuer's obligations under this Disclosure Certificate have terminated. If the Issuer's obligations are assumed in full by some other entity, such person shall be responsible for compliance with this Disclosure Certificate in the same manner as if it were the Issuer, and the original Issuer shall have no further responsibility hereunder.

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. Any filing under this Disclosure Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Board (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 8. Amendment. This Disclosure Certificate may not be amended unless independent counsel experienced in securities law matters has rendered an opinion to the Issuer to the effect that the amendment does not violate the provisions of the Rule.

In the event that this Disclosure Certificate is amended or any provision of the Disclosure Certificate is waived, the notice of a Listed Event pursuant to Section 5(a)(vii) hereof shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided in the Annual Report. If an amendment or waiver is made in this Disclosure Certificate which allows for a change in the accounting principles to be used in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and impact of the change in the accounting principles on the presentation of the financial information. A notice of the change in the accounting principles shall be deemed to be material and shall be sent to each National Repository or the MSRB and each State Repository.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of any party to comply with this Disclosure Certificate shall be an action to compel performance. The cost to the Issuer of performing its obligations under the provisions of this Disclosure Certificate shall be paid solely from funds lawfully available for such purpose.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The Dissemination Agent may consult with counsel (who may, but need not, be counsel for any party hereto or the Issuer), and the opinion of such Counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such Counsel. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2005 Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriter, and Beneficial Owners from time to time of the Series 2005 Bonds, and shall create no rights in any other person or entity.

SECTION 13. Intermediaries; Expenses. The Dissemination Agent is hereby authorized to employ intermediaries to carry out its obligations hereunder. The Dissemination Agent shall be reimbursed immediately for all such expenses and any other reasonable expense incurred hereunder (including, but not limited to, attorney's fees).

SECTION 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 15. Governing Law. This Disclosure Certificate shall be governed by and construed in accordance with the laws of the State.

SECTION 16. Severability. In case any one or more of the provisions of this Disclosure Certificate shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Certificate, but this Disclosure Certificate shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

CITY OF BRISTOL, TENNESSEE

By: _____
Mayor

BRISTOL TENNESSEE ESSENTIAL SERVICES

By: _____
Chairman of the Board of Directors

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Bristol, Tennessee

Name of Bond Issue: Electric System Revenue Bonds, Series 2005

CUSIP Number¹: _____

Date of Issuance: _____, 2005

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report due with respect to the above-named Series 2005 Bonds as required by its Disclosure Certificate, dated _____, 2005. The Issuer anticipates that the Annual Report will be filed by _____.

This notice is based on the best information available at the time of dissemination. Any questions regarding this notice should be directed to _____.

Dated: _____

CITY OF BRISTOL, TENNESSEE

By: _____
Chairman of the Board of Directors
of Bristol Tennessee Essential Services

¹ No representation is made as to the correctness of the CUSIP number either as printed on the bonds or as contained herein, and reliance may only be placed on other bond identification contained herein.

EXHIBIT B

NOTICE TO REPOSITORIES
OF THE OCCURRENCE OF [INSERT THE LISTED EVENT]

Relating to

CITY OF BRISTOL, TENNESSEE
ELECTRIC SYSTEM REVENUE BONDS,
SERIES 2005
CUSIP NUMBERS¹:

Notice is hereby given that [insert the Listed Event] has occurred. [Describe circumstances leading up to the event, action being taken and anticipated impact.]

This notice is based on the best information available at the time of dissemination and is not guaranteed as to accuracy or completeness. Any questions regarding this notice should be directed to [insert instructions for presenting securities, if applicable].

[Notice of the Listed Events described in Section 5(a)(ix) shall include the following:

The Issuer hereby expressly reserves the right to redeem such refunded or defeased bonds prior to their stated maturity date in accordance with the optional/extraordinary redemption provisions of said defeased bonds.

OR

The Issuer hereby covenants not to exercise any optional or extraordinary redemption provisions under the Resolution; however, the sinking fund provision will survive the defeasance.

AND

The Series 2005 Bonds have been defeased to [maturity/the first call date, which is ____]. This notice does not constitute a notice of redemption and no bonds should be delivered to the Issuer or the Paying Agent as a result of this mailing. A Notice of Redemption instructing you where to submit your bonds for payment will be mailed _____ to _____ days prior to the redemption date.]

Dated: _____

CITY OF BRISTOL, TENNESSEE

By: _____
Mayor

¹No representation is made as to the correctness of the CUSIP number either as printed on the bonds or as contained herein, and reliance may only be placed on other bond identification contained herein.

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APPENDIX C

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**Comprehensive Annual
Financial Report**

Bristol Tennessee Electric System

A Municipal Electric Utility
of the City of Bristol, Tennessee

Year ended June 30, 2004

Prepared by:

Accounting and Finance Department and General Manager

Wendi Davis

Wendi Davis
Director of Accounting and Finance

R. Michael Browder

R. Michael Browder
General Manager

Bristol Tennessee Electric System
Comprehensive Annual Financial Report

Year ended June 30, 2004

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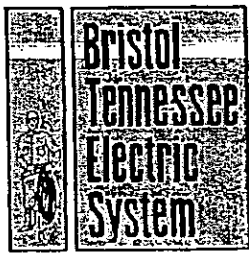
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December 2, 2004

To the Chairman and Members of
the Power Board of Bristol Tennessee
Electric System

Letter of Transmittal

The Comprehensive Annual Financial Report ("CAFR") of Bristol Tennessee Electric System (the "System" or "BTES"), a self-supporting governmental enterprise fund of the City of Bristol, Tennessee operated under the general supervision and control of a five-member Power Board as per Chapter 32 Public Acts of Tennessee 1935, for the fiscal year ended June 30, 2004, is submitted herewith.

The CAFR was compiled by the staff of the Accounting and Finance Department with the close cooperation of our independent auditor. It represents the official report of the System's financial operations and conditions to the citizens, the Board, System management, rating agencies and other interested parties.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the System. We believe the data, as presented, are accurate in all material respects and are presented in a manner designed to fairly set forth the financial position and results of operations and cash flows of the System.

All disclosures necessary for the reader to gain a thorough understanding of the System's financial condition have been included.

In order to meet the needs of a broad spectrum of financial statement readers, the CAFR is presented in four sections:

- Introductory Section
- Financial Section
- Statistical Section
- Internal Control and Compliance Section

The **Introductory Section** includes the table of contents, this transmittal letter, an organizational chart of the System, the System's general philosophy, background of the System and a brief recap of fiscal year 2004.

The **Financial Section** is composed of the report of independent auditors; Management Discussion and Analysis, including a narrative introduction, financial overview and financial analysis; and the financial statements. The notes to the financial statements are considered an integral and essential part of adequate disclosure and fair presentation of the financial statements.

Letter of Transmittal (continued)

The **Statistical Section** includes selected financial and demographic trend information. The tables within this section differ from certain information in the financial section in that they represent some non-accounting data covering ten fiscal years. These data were accumulated through System statistical collection.

The **Internal Control and Compliance Section** includes the independent auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

The accompanying financial statements present the financial position, results of operations and cash flows of the System, in accordance with the requirements of the Governmental Accounting Standards Board ("GASB").

This report does not include the financial activities of the City of Bristol, Tennessee. Financial reports are available directly from the City of Bristol, Tennessee.

Bristol, Tennessee is located in the northeastern portion of the state. It is one of three cities in Sullivan County, with the other two being Kingsport and Bluff City. The population of Sullivan County is 153,050. Its industrial base is primarily manufacturing, followed by the service sector and agriculture.

Because of its central location in the eastern United States, Bristol is within 600 miles of approximately 53% of the population of the United States. Interstate 81 passes through the city. Bristol is part of the metropolitan statistical area ("MSA") of Bristol, Johnson City and Kingsport, commonly called the Tri-Cities MSA. With a population of over 485,884 people, the Tri-Cities MSA is 111th largest in the United States.

Bristol benefits from the state's high ranking in Alexander Grant and Company's GENERAL MANUFACTURING CLIMATES, which ranks Tennessee near the top in the nation as a place for manufacturing.

Bristol is a good place to work and live, with the following amenities:

- Excellent health care facilities
- Seven Tennessee Valley Authority lakes with 2,200 miles of shoreline
- Five national parks
- Bristol Motor Speedway (Two NASCAR dates per year with over 160,000 seats)
- Low crime rate
- Four distinct seasons
- Excellent schools
- Nine colleges and universities (Degrees ranging from Art to Medicine)
- Seven beautiful golf courses

Bristol and the surrounding areas continue to grow and prosper. Eastman Chemical Company is headquartered in Sullivan County. Exide's Super Battery Plant is in Bristol where they build and charge over 30,000 batteries per day. Several smaller facilities, such as The Robinette Company and Image 1 Wireless, have expanded or are planning an expansion. Royal Mouldings, located in the Bristol Industrial Park, is the largest marketer and manufacturer of decorative polymer moldings in the United States. They currently employ 75 people at their 150,000 square foot facility on 28 acres in the Bristol Industrial Park. They expect to expand their current location to 450,000 square feet in the near future and add additional employees.

Letter of Transmittal (continued)

FINANCIAL INFORMATION

THE SYSTEM AS AN ENTERPRISE FUND

The System operates under an independent Power Board as an enterprise fund of the City of Bristol, Tennessee. This being the case, the System funds its expenditures through its rates and charges and receives no income from City taxes. The System establishes rates annually to provide for anticipated cash outlays for operating expenses and capital improvement requirements.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The System's financial accounting system is based on accounting principles generally accepted in the United States of America. Internal accounting controls are an integral part of the System's accounting process and are designed to provide reasonable, but not absolute, assurance that assets are safeguarded from unauthorized use or disposition and that records used for preparing financial statements and maintaining asset accountability are reliable.

The System applies Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Consistent with other public utility enterprise funds, the System has elected not to adopt the FASB Statements and Interpretations issued after November 30, 1989, in accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting."

The System's Power Board approves the System's annual budget for its recommended rate, expenses and capital outlays. An analysis of revenue and operating expenses for the year ended June 30, 2004, is provided in the Financial Section of this report.

ELECTRIC PLANT

Electric plant is stated at cost, which includes cost of contract work, labor, materials and allocated indirect charges. Major renewals and betterments are capitalized, while minor replacements and repairs are expensed as incurred. Property, plant and equipment is depreciated using the straight-line method at rates which will amortize costs over the estimated useful lives of the assets. The provision for depreciation does not include depreciation on transportation equipment per Federal Energy Regulatory Commission Guidelines. Those amounts are reported as operation expenses in the Statements of Revenues, Expenses and Changes in Net Assets. The cost of electric plant retired, together with removal costs less salvage, is charged to accumulated depreciation when property is removed from service.

CASH MANAGEMENT

The System's moneys are deposited in banks insured by the FDIC. Investments permitted include obligations of the U.S. Treasury and U.S. agencies and certificates of deposit. Temporary investments, consisting entirely of certificates of deposit, are stated at cost which approximates fair value. The cash management performance for the year ended June 30, 2004, produced interest earnings of \$220,066.

Letter of Transmittal (continued)

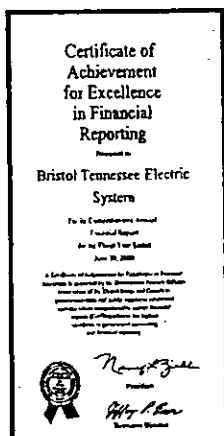
RISK MANAGEMENT

The System's assets are protected through a third party insurance provider. Through this provider, coverage is provided for workers' compensation, comprehensive, general and automobile liability, auto physical damage, crime and fiduciary, errors and omissions, property, boiler and machinery and pollution. The System has not experienced a loss in excess of insurance coverage in any of the past three fiscal years.

INDEPENDENT AUDIT

The System has an annual audit performed by independent certified public accountants. The firm of Coulter & Justus, P. C., was selected by the Board. The auditor's report on the financial statements is included in the Financial Section of this report.

AWARDS



For the first time, the Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its CAFR for the fiscal year ended June 30, 1997. The System was also awarded the certificate for its CAFR for the fiscal years ended June 30, 1998, 1999, 2000, 2001, 2002 and 2003. To qualify for this prestigious award, the System issued an easily readable and efficiently organized CAFR. In addition, this report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our present report continues to meet the program's requirements, and we are submitting it to the GFOA to determine eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report could not have been accomplished without the staff of the Accounting and Finance Department. We express our sincere appreciation to those who assisted and contributed to its preparation.

Sincere appreciation is also expressed to Sam Coulter, CPA, Don Talbott, CPA, and Ricky Jackson, CPA, and the staff at Coulter & Justus, P.C., for assistance throughout the year pertaining to various financial matters and for their assistance in the preparation of this report.

In closing, we would like to thank the members of the Power Board of Bristol Tennessee Electric System for their interest and support in planning and conducting the operations of the System in a responsible and progressive manner.

Respectfully submitted,

Wendi Davis

Wendi Davis
Director of Accounting and Finance

R. Michael Browder

R. Michael Browder
General Manager

BACKGROUND INFORMATION

On June 30, 1945, the Tennessee Valley Authority (TVA) purchased the properties of East Tennessee Light and Power Company. Bristol Tennessee Electric System (BTES) was started July 1, 1945 as a result of a referendum in which the citizens of Bristol, Tennessee voted to purchase from TVA a portion of these properties. A \$1.3 million issue of Electric Light and Power bonds was required to finance the transaction. BTES immediately agreed to terms of a 20-year power contract for TVA to supply power which BTES distributed to the public at substantially lower rates.

As per Chapter 32 Public Acts of Tennessee 1935 and the contract with TVA, a five-member Power Board was established by the City to have general supervision and control of the municipally-owned electric system with one member serving from City Council. Current board members include Pereda R. "Pete" Paty, Patrick W. Hickie, Jr., Bryan K. Boyd, J. Scott MacMorran and City Council representative John S. Gaines.

The International Brotherhood of Electrical Workers (IBEW) has represented the trades and crafts employees since prior to TVA purchasing the system from East Tennessee Light and Power.

Sixty BTES employees serve over 31,000 customers in Bristol, Tennessee, Sullivan County and a portion of Washington County, Virginia (approximately 280 square miles of service area).

BTES purchases electric power from the Tennessee Valley Authority (TVA), the nation's largest public power generator of electricity. Our customers pay approximately 5.6 cents per kilowatt hour while the national average is 8.5 cents per kilowatt hour. BTES has had seven rate reductions since June 1982 with the most recent in October 1997. This does not include changes in wholesale power costs from TVA. In October 2003, TVA added an environmental charge to their rate to cover the cost of certain air pollution equipment. This effectively raised the rates on residential customers by 6% and small general power customers by 7%.

The electricity we purchase from TVA is delivered at 161,000 volts to our two delivery points, Bluff City Primary and Blountville Primary Substations. We step it down to 69,000 volts for subtransmission to other substations and to 13,200/7620 volts for distribution. In some cases, small distribution substations provide additional voltage reduction to large general power loads. The voltage entering a customer's home is 120/240 volts which is utilized for lighting, heating and operating household appliances. Businesses and industries may be served at 208/120, 480/277, 4160/2400 volts or other standard voltages.

In 1994, BTES received the American Public Power Association's prestigious E. F. Scattergood System Achievement Award for outstanding achievement by a utility.

BACKGROUND INFORMATION (continued)

Also in 1994, BTES was one of three organizations to receive the Tennessee Quality Excellence Award presented to us by Governor Ned McWherter. The other two recipients were Nissan and FedEx. Other organizations that have received this prestigious award include: Eastman Chemical Company, Philips Consumer Electronics Company, Bridgestone/Firestone Company, Eaton Corporation, Methodist Medical Center of Oak Ridge, Baptist Health Systems of Knoxville, Fleetguard Incorporated, Caterpillar Financial Services, Memphis Light, Gas and Water and Pal's Sudden Service.

In June 1996, BTES received the American Public Power Association's Golden Tree Award in recognition of BTES planting over one tree per customer.

In June 1997, BTES received the American Public Power Association's Community Service Award for outstanding civic and community involvement by our employees.

In October 1997, General Manager R. Michael Browder received the 1997 Jim Spradley Award for individual accomplishments in the field of industrial and economic development in Tennessee that go above and beyond the requirements of the vocation for which they are compensated. The award was presented by Governor Don Sundquist at the Governor's Economic Summit in Nashville.

In May 2000, General Manager R. Michael Browder received the Tennessee Valley Public Power Association's Distinguished Service Award for his exceptional performance and contributions toward the accomplishment of the organization's goals.

In June 2002, General Manager R. Michael Browder completed his year as Chairman of the Board of the American Public Power Association.

For fiscal year 2003, we received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for the sixth year in a row.

In February 2004, BTES received the National Arbor Day Foundation Tree Line USA Award for the fifth year in a row in recognition of quality tree care, annual worker training, tree planting and public education.

RECAP OF FISCAL YEAR 2004

During the past year, major engineering and construction projects included extending construction of the transmission distribution underbuild and lighting circuit along ½ mile of Highway 394 to Sportsway Drive. The transmission with distribution underbuild along Beaver Creek Road to Buffalo Substation was completed.

At Exide Substation, we added a second 12/16/20 mVA power transformer and three associated 13.2 kV circuits to serve the load at Exide Plant. Buffalo Substation was completed.

RECAP OF FISCAL YEAR 2004 (continued)

We built 15 spans of three-phase distribution line to serve the Super Wal-Mart and added over 15,000 kVA of three-phase transformers to serve Exide Plant, Bristol Motor Speedway, Bristol Wastewater Treatment Plant, King Pharmaceuticals, Polymer Industrial Products and other smaller industrial loads. The traffic lights were installed at the intersection of Volunteer Parkway and Century Boulevard and street lights were added along a section of Highway 126 in Bristol and Highway 390 in Bluff City.

We installed over 13,000 feet of underground primary conductors to service new customers including 27 lots in Deer Field at Fairfield Subdivision and 65 condominiums in Rolling Brook Subdivision.

Nine reels of fiber optic cable were installed along 27 miles of existing distribution pole lines to interconnect existing substations to the Power Service Center.

A power transformer at Vance Substation failed this year and was replaced with a new 12/16/20 mVA power transformer.

In October 2003, TVA added an environmental charge to their rate to cover the cost of certain air pollution equipment. This effectively raised the rates on residential customers by 6% and small general power customers by 7%.

Forty-one BTES employees participated in an Organizational Behavior course at BTES in 2004. Every Thursday night for twelve weeks participants spent two hours in the evening learning more about themselves and teamwork. The concepts were immediately put into practice. Participants were divided into seven teams that worked on real BTES projects. In the last two sessions, they gave reports on their projects.

Our outage time per customer was 94 minutes for calendar year 2003.

During the last five years, we have been able to maintain our goal of a five-year tree clearance cycle. We continue to monitor frequency of tree-caused outages by areas and make more frequent visits to these areas. In 2003-2004, we cleared trees along feeder lines at King College Substation circuits 214 and 224; Industrial Substation circuits 254, 214 and 224; Ruthton Substation circuits 234, 274 and 254; Airport Substation circuits 224, 214 and 234; Adam's Chapel Substation circuits 214, 224 and 254 and Pemberton Substation circuits 214 and 224.

Our goal is to maintain the distribution transformer capacity ratio to 200 percent of peak demand or less. We continue to work to improve this number. We will reinstitute our transformer loading program to help us predict new customer demand needs. The transformer loading program will assist us in identifying transformers that we will investigate for being heavily loaded and change if necessary.

RECAP OF FISCAL YEAR 2004 (continued)

During our routine substation preventative maintenance program, we discovered potential problems and made repairs to: station batteries and battery chargers at Medical Center, Steele Creek and Blountville Primary Substations; malfunctioning regulators at Bluff City District, Adams Chapel, Pemberton, Piney and Vance Substations. We repaired SCADA controls at Vance and Airport Substations and repaired a leaking pressure regulator on a power transformer at Shelby Street Substation.

Fifty-four problems ranging from minor to critical were discovered and repaired during our annual infared inspections.

We checked 57 new three-phase meter installations and found no problems.

For the first ten months of fiscal year 2004, the average value of stores inventory was \$554,271. Stores personnel continue to monitor inventory levels and look for ways to reduce the cost of inventory. They work closely with engineering and construction personnel to have material for major jobs on hand just in time for the start of construction.

As the city's largest taxpayer, we paid the maximum in-lieu-of-tax payments as provided by Tennessee State Law and the TVA Contract to the City of Bristol in the amount of \$700,020 for fiscal year 2004. Combined with taxes paid to Sullivan County, Bluff City and Washington County, Virginia, a grand total of \$905,455 was paid by BTES.

We planted 51 dogwoods during the first 10 months of fiscal year 2004 through our Trade-A-Tree program.

Installation of an electronic mapping system is currently in progress. We are using a Trimble Global Positioning System (GPS) to enter the geographic location of all power system features such as poles, transformers, meters and lines into the BTES mapping system. The mapping platform will operate as a Geographical Information System (GIS) that will link BTES customer and facility data to the geographical symbols on the maps. A base map consisting of roads and property parcels is being used along with aerial photographs of the BTES service area. After the field data has been collected on all of the power system facilities, the new electronic maps will replace the existing paper mapping system.

RECAP OF FISCAL YEAR 2004 (continued)

Our bad debts, as a percentage of retail revenue, averaged 0.175 percent for the first ten months of fiscal year 2004, which is well below our stated goal of 0.25 percent. The industry target is 0.4 percent. This has been accomplished in a variety of ways: We diligently work to prevent customers from falling too far behind in paying their electric bill. We thoroughly screen new applications to determine inclination to pay. In an effort to help those in need find necessary funding, we work with area churches, the Salvation Army, United Way, the Upper East Tennessee Human Development Authority and other customers via our "Help Your Neighbor" program. Our deposit procedure seems to be working well. Residential customers who demonstrate a history of paying their bills in a timely manner may have their deposit waived. A general power customer with a calculated standard deposit of \$10,000 or less which has a principal owner who has lived on our system five or more years with good pay and credit history and is willing to guarantee the account, may have the deposit reduced or waived. To date, no adverse effects have been detected.

We have been prepaying our power bill. Under this arrangement, we use an automated clearing house to send our money to TVA before actual payment is due. In return, we receive "interest" payments from TVA for the amount of their cost of short-term borrowing. This is used when TVA's rate is higher than we are able to receive through other investment vehicles.

In December 2002, we purchased \$8 million of Discounted Energy Units from TVA. Our participation in the program will assure a long-term supply of power at a low price and increase our return on investments. Over a ten year period, our power bill will be discounted by the principle and interest earned.

Efforts to increase sales of electricity continued. Efforts are ongoing to increase the use of heat pumps and electric water heaters, especially water heaters that can be switched off during peak-demand periods. During calendar year 2003, we inspected 186 heat pump installations and installed 775 water heaters. BTES has over 11,770 load-managed water heaters. During calendar year 2003, TVA paid us \$640,578 for the ability to cycle these water heaters off during peak times. More than 40 loans were made through the Energy Savings Loan Program at a total of \$187,962. Advertising, direct involvement with customers through our Homebuilders Association Spring Home Show, health fair booths, other events and communicating through our customer newsletter and electric bill messages continues to help add growth in these areas.

We continue to make subdivision development agreements available to developers. Instead of initially collecting the total cost for electric facilities installed to serve subdivisions, we offer to waive all or part of these costs for developers who agree to have all-electric homes with inspected heat pumps and load-managed water heaters built in their developments. Total costs are charged for any lots on which homes are built that are not all-electric. We presently have 447 lots in 21 subdivisions covered under this type agreement.

RECAP OF FISCAL YEAR 2004 (continued)

Each customer who purchases a BTES water heater or who has an inspected heat pump installed is surveyed by mail. The surveys are used to monitor quality and customer satisfaction of the program and satisfaction with BTES employees and Quality Contractor Network employees.

For the 13th consecutive year, in cooperation with the Bristol Chamber of Commerce, the City of Bristol, Tennessee and the State of Tennessee, we maintained the Governor's Three-Star Community Economic Preparedness Program Award which signifies that Bristol has the organization, attitude, facilities and skills to attract and retain industry. A major component of this certification is having available property for industrial development. The Bristol Industrial Park purchased by BTES provides this component.

In calendar year 2003, BTES personnel visited 78 existing industries to discuss electrical needs, expansion possibilities and their satisfaction with the service they are receiving. BTES worked with the City of Bristol, State of Tennessee, TVA and Sullivan County to identify and assist 23 businesses with expansions or relocations to the Bristol area.

Our "Help Your Neighbor" program was conducted successfully for the 13th year to assist residential electric customers in paying their winter electric bills during difficult times. This year \$11,091 was contributed by customers and BTES' match. As in the past, the need of the customer is identified by the Salvation Army and funds are administered by the United Way. In fiscal year 2004, assistance was provided for over 100 families.

Eighty-two percent of our employees had perfect attendance for calendar year 2003.

For the 21st consecutive year, we had no lost-time accidents with a total of over 2.8 million man-hours since the last lost-time accident in 1982. There were no known high voltage personal injuries involving BTES facilities.

During calendar year 2003, nine full-time employees left BTES. This prompted organizational changes and the hiring of five new full-time employees and three part-time employees. We continued a co-op program for electrical engineering students.

We presented 37 awards at our heat pump dinner for Quality Contractor Network members.

At the annual Service Awards Banquet, we presented awards representing 175 years of service to one employee for 30 years of service, three employees for 25 years of service, two employees for 15 years of service, two employees for 10 years of service and three employees for five years of service to BTES and five recognition awards for new employees.

Organization Chart

June 2004

