

BRANSTETTER, STRANCH & JENNINGS, PLLC

ATTORNEYS AT LAW
227 SECOND AVENUE NORTH

FOURTH FLOOR
NASHVILLE, TENNESSEE 37201-1631

May 10, 2006

CECIL D. BRANSTETTER, SR.
C. DEWEY BRANSTETTER, JR.
RANDALL C. FERGUSON
R. JAN JENNINGS*
DONALD L. SCHOLLES
JAMES G. STRANCH, III
JANE B. STRANCH

TERESA W. CHAN
JOE P. LENISKI, JR.
MARK A. MAYHEW
J. GERARD STRANCH, IV
MICHAEL J. WALL

*ALSO ADMITTED IN CA

Richard Collier, General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville TN 37243-0505

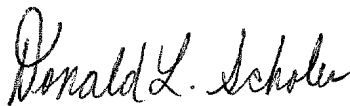
Re: Petition of Lynwood Utility Corporation for a Thirty (30) Day
Extension to File the Financial Security Required by TRA Rule 1220-4-13-.07
Docket 06-00071

Dear Richard:

I received your May 5, 2006 letter on Monday of this week in this matter. I wanted to inform you that Lynwood has been attempting to obtain either a corporate surety bond or an irrevocable letter of credit since it filed its request for an extension of time to file proof of its financial security as required Rule 1220-4-13-.07. Tyler Ring attempted to obtain a corporate surety bond from Cincinnati Insurance Company in March through Full Service Insurance, but it refused to agree to issue the bond. I have enclosed a copy of a letter from Tennessee Commerce Bank which was unwilling to issue an irrevocable letter of credit for \$500,000 as required by the Rule. Lynwood contacted BB&T last week about obtaining an irrevocable letter of credit from it, but it has not yet received a written response. The initial indications to Mr. Ring were not favorable that BB&T would be willing to issue an irrevocable letter of credit for \$500,000.00.

I will be filing a Petition on Lynwood Utility Corporation's behalf asking for an exemption from filing proof of financial security, or in the alternative other or a different amount, as permitted by Rule 1220-4-13-.07(5). I anticipate filing this Petition with the Authority this Thursday or Friday. I just wanted you to know that Lynwood has been working on trying to get the financial security as required by the Rule and has not been ignoring its obligations under the Rule.

Sincerely yours,


DONALD L. SCHOLLES

Enclosures

c: Tyler Ring

RECEIVED
2006 MAY 10 PM 12:35

TELEPHONE
(615) 254-8801
FACSIMILE
(615) 250-3937
T.R.A. DOCKET ROOM

Via Hand Delivery



Mr. Tyler Ring
Lynnwood Utility Corporation
5250 Virginia Way, Suite 100
Brentwood, Tenn. 37027

Dear Tyler,

I have reviewed your request for a \$500,000 irrevocable letter of credit in favor of the Tennessee Regulatory Authority. In review of this request I have two major concerns that would impair the Banks ability to grant your request.

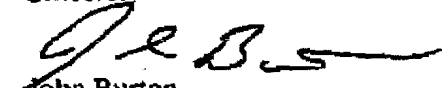
The context under which the beneficiary (the Tennessee Regulatory Authority) can draw on the letter of credit is very broad, open ended and does not allow for an appeal or a time frame to cure the default. Second it appears that if Tennessee Commerce Bank ops not to renew the letter of credit and Lynnwood Utility Corporation is unable to get another financial institution to issue a replacement letter of credit, Tennessee Commerce Bank is obligated to fund the full amount of the letter of credit.

The second issue is a credit issue. I have reviewed the tax returns for Lynnwood Utility Corporation and its parent company Southern Utility Corporation. These returns indicate a very weak Capital Structure with a Net Worth of \$17,783 and a Net Income for 2005 of only \$36,651.

As you know Tennessee Commerce Bank has enjoyed a good working relationship with you, your father and Tenn. Contractors.

If there were a way to structure an approval of the \$500,000 request, it would impair your ability to support credit facilities for yourself and Tenn. Contractors going forward. I respectfully request that you seek an alternative to satisfy the Tennessee Regulatory Authority as Tennessee Commerce Bank can not approve your request as presented.

Sincerely


John Burton
Senior Vice President

Tennessee Commerce Bank • 381 Mallory Station Rd., Suite 207 • Franklin, TN 37067 • Phone: (615) 599-2274 Fax: (615) 599-2275
Web Site Address: www.tncommercebank.com



May 9, 2006

Tyler Ring
Performance Builders, Inc.
Tenn Contractors, Inc.
P.O. Box 314
Franklin, TN 37065-0314

Re: Lynwood Utility District

Dear Mr. Ring,

We are unable to write the \$500,000 Tennessee Wastewater Bond you requested. Cincinnati Insurance Company initially declined to write the bond because of the forfeiture obligation. They said "We are unable to consider this bond. One of our major concerns is the forfeiture obligation wherein if failure to renew by the surety, we would be required to deposit the maximum sum of the bond with the administrator of the Authority to enable the continued operation of the public wastewater utility. This feature is not something we are willing to bond."

We then received a revised bond form which the company also declined saying that even with the revised wording on the bond form they would not be interested in writing.

Sorry we could not be of help.

Sincerely,

Michele Marchiori
Commercial Service Representative

903 Murfreesboro Road
P.O. Box 680639
Franklin, Tennessee
37068-0639
(615) 790-0990