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November 3, 2008

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

filed electronically in docket office on 11/03/08

Re: Petition of Tennessee Wasterwater Systems, Inc. to Expand Its Service Area
to Include a Portion of Jefferson County, Tennessee, Known as Parrott's Bay
Docket No. 06-00077

Dear Richard:

On behalf of Tennessee Wastewater Systems, Inc. ("TWS"), I am responding to the complaint filed in this docket by Mr. Chip Leonard regarding the provision of wastewater treatment service to a portion of Jefferson County called Parrott's Bay.

TWS was awarded a certificate to serve this area by order of the Authority on August 29, 2006. In its application, TWS noted that the developer of this proposed subdivision had requested in writing that TWS provide sewer services for the development and had agreed to pay the cost of constructing the wastewater system. A letter from the developer is included with the application.

The land for the proposed development has now been sold and the new owner, Mr. Leonard, is no longer interested in obtaining wastewater services from TWS. At this time, no houses have been built in the development and no sewer system has been built. Mr. Leonard has declined to sign an agreement with TWS to provide sewer service and presumably intends to find another provider. He asks the TRA to revoke the certificate of TWS "in order to have another utility petition the TRA for our subdivision in the near future."

Under these circumstances, TWS agrees that the new owner of the development should be able to choose another provider. TWS would not have applied for this certificate without the agreement and support of the former development owner. Therefore, TWS will file a petition requesting voluntary cancellation of its certificate. After the certificate is cancelled, TWS will have no further obligation to provide sewer service in this territory. Mr. Leonard will be free to contact other potential providers.

The cancellation of the certificate by TWS will render moot the complaint filed by Mr. Leonard. Nevertheless, TWS would like to respond briefly to the two issues raised in Mr. Leonard's letter.

First, Mr. Leonard states that TWS has informed him that TWS "will not operate a system that their affiliates do not sell or construct." He charges that this practice has "forced us to purchase goods and services from their affiliates at above market rates."

That allegation is untrue. Like every developer doing business with TWS, Mr. Leonard has the choice of building the system himself or hiring a contractor to do it. The contractor may be anyone of the developer's choosing, including an engineering and construction firm that is affiliated with TWS. But regardless of the developer's decision, TWS requires that the system be built in accordance with the technical specifications of TWS and will closely monitor and inspect the construction of the system to insure compliance.

Here, Mr. Leonard was offered two contracts. Copies of those contracts are attached. One contract is the standard agreement between TWS and a developer. It requires the developer to build the system and then turn it over to TWS to operate and maintain. The contract does not require the developer to use any particular construction company, but it does state that TWS must give final approval to the construction plans and the completed system. It also provides that TWS will inspect and monitor the project as it is being built.

The second contract is a proposed agreement between the developer and Utility Capacity Corporation, Inc. ("UCC"), a company which designs and builds sewage collection and treatment systems.¹

Mr. Leonard is not required to hire UCC to construct the sewer system in Mr. Leonard's development. Mr. Leonard is free to hire anyone to build that system as long as it is built in accordance with the specifications of TWS. Mr. Leonard's allegation that he was required to do business with UCC, or any other particular construction firm, is incorrect.

Second, Mr. Leonard complains that he should not be required to pay a charge of \$800 per lot to TWS for "connecting into a system we just paid them for." He also states that this \$800 fee is not included in the tariffs of TWS on file at the TRA.

Mr. Leonard apparently did not notice that this \$800 fee is explained in paragraph 4 of the proposed contract between the developer and TWS. That section states, "The aforementioned fee shall be used by Tennessee Wastewater to pay for expenses associated with obtaining public service commission approvals and for inspections of the system design and

¹ UCC is not an affiliate of TWS. UCC is owned by Mike Hines who also owns Southeast Environment Engineering which manages TWS properties in East Tennessee.


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construction and residential tank installations." In other words, the fee covers all project management costs incurred by TWS from the time TWS first visits the site until the last customer's tank is installed under the supervision of TWS. The utility believes it is more appropriate to charge these costs to the developer rather than to end users. Charges agreed to between TWS and developers are not charges for sewer service and are therefore not included in the utility's retail tariffs.

In sum, TWS submits that neither of Mr. Leonard's complaints has any merit. TWS has always made it clear in its filings with the TRA that the developer is responsible for building the sewer system in accordance with the design specifications of TWS. In this case, TWS sought a certificate to serve this project only after being requested to do so by the former developer. Now that the current owner of the property wants to explore other options, TWS agrees that he should do so.

Very truly yours,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

By: 
Henry Walker

HW/cas

cc: Chip Leonard
Senator Mae Beavers

SEWERAGE SYSTEM MAINTENANCE AND MANAGEMENT CONTRACT

JEFFERSON COUNTY – THE PENINSULA AT LAKE DOUGLAS

This sewerage system maintenance and management contract, made and entered as of this ____ day of May, 2008, by and between, Tennessee Wastewater Systems, Inc., a Tennessee corporation, herein referred to as “Tennessee Wastewater” and Southeastern Development Group, Inc., herein referred to as “Developer”:

WHEREAS, Developer is developing a tract of real property located in Jefferson County, Tennessee and is generally referred to herein as The Peninsula at Lake Douglas project; and

WHEREAS, Developer requires public utility ownership of a sewage collection, treatment, and disposal system for The Peninsula at Lake Douglas project; and

WHEREAS, Tennessee Wastewater Systems, Inc. has the capability to manage and maintain the sewerage treatment, collection, and disposal system for The Peninsula at Lake Douglas project, the parties hereto have entered into the following agreements:

WITNESSETH

1. Developer is developing a tract of real property in Jefferson County, Tennessee and such property is generally referred to herein as The Peninsula at Lake Douglas development. The development project has been mapped, platted, and surveyed. The plat for The Peninsula at

Lake Douglas project as recorded in the Register's Office for Jefferson County is attached hereto as Exhibit 1.

2. Developer shall, at its own expense, design and construct a wastewater collection, treatment, and effluent dispersal system to serve the 80 lots in the project. All design plans shall be approved by Tennessee Wastewater prior to construction of the system. Developer is to perform all of the necessary work for the installation of said system, completely install the system at no cost whatsoever to Tennessee Wastewater, all in accordance with the drawings, plans, and specifications herein above referred to, and for that purpose has entered into a contract for completion of that work.

3. All construction begun, continued, and completed hereunder shall be subject to the supervision and approval of Tennessee Wastewater's engineers and/or representatives who shall have a continuous right of inspection throughout the progress of the work. No pipe, fittings, or connections shall be covered until inspected and approved by Tennessee Wastewater.

4. In addition to the costs of the installation herein provided for, the Developer hereby agrees to pay to Tennessee Wastewater a fee of \$800 per platted lot to be connected to the sewerage system, said fee payable at the time Tennessee Wastewater signs the final plat for the proposed lots. The aforementioned fee shall be used by Tennessee Wastewater to pay for expenses associated with obtaining the public service commission approvals and for inspections of the system design and construction and residential tank installations.

5. Tennessee Wastewater hereby agrees to own, operate, maintain, and manage the sewerage system for the properties identified in Exhibit. Developer agrees for Tennessee

Wastewater to have exclusive responsibility for the ownership, operation, maintenance, and management of the sewerage system as installed and as may be expanded from time to time.

6. Developer agrees to provide Tennessee Wastewater with copies of all plans, specifications, drawings, and other documentation accompanying the design and installation and any expansions of the sewerage system. Tennessee Wastewater shall secure all local, state, and federal permits, licenses, or other approval necessary for the operation of a sewerage system on the property identified as Exhibit 1.

7. *Developer agrees to require as a condition of sale that the owner of each parcel of property shown on Exhibit 1 for which a service connection to the sewerage system is available, installed, or expanded but for which no residence, building, or structure has been attached to the service connection, shall pay Tennessee Wastewater a yearly sewer access fee of \$84.00. Such yearly sewer access fees for each lot shown on Exhibit 1 shall be first payable on or before December 15, 2008, for all owners of record of December 1, 2008. Once residences, buildings, or structures on any parcel of property shown on Exhibit 1 are connected to the sewer system through a service connection, the owner of such property shall no longer be liable for the sewer access fee for that calendar year, and, thereafter, the annual sewer access fee referenced herein shall not apply.*

8. *Developer agrees to require as a condition of sale or lease of each lot that any building, residence, or other structure, constructed on the lot to be attached to the sewerage system, shall have a lockable shut off valve installed on the property owner's side of the water meter on the water supply line to the building. Such conditions shall be included in any restrictive covenants prepared and recorded for the property included in The Peninsula at*

Lake Douglas project. This valve is for the exclusive use of Tennessee Wastewater Systems, Inc. in accordance with its sewer service agreement with the property owner and is to be used to shut off water supply to the property in the event that the monthly sewer fee is not paid.

9. To allow for maintenance and management of the sewer system, Developer shall provide Tennessee Wastewater an all-weather access road, the necessary power lines, and power drop to the sewage treatment site and the drip effluent dosing station. Developer shall provide written five (5) foot sewerage easements on each side of the centerline of all sewers and all interceptor tanks installed in the development other than those sewers and those connections that are located along the public right of way.

10. Tennessee Wastewater Systems, Inc. shall approve all plans and drawings accompanying the initial sewerage system and any additions or expansions to the system as installed or the additional capacity associated with the system. The actual design and construction and installation of the sewerage system and any expansions to it shall be subject to the final approval and final inspection of Tennessee Wastewater Systems, Inc. Developer shall provide Tennessee Wastewater a one (1) year warranty for the collection system and assign to Tennessee Wastewater the one (1) year warranty provided to Developer by Utility Capacity Corporation, Inc. (UCC) for the treatment and effluent dispersal systems wherein the Developer and UCC shall warrant that, for the first year after the initial system is placed into service following acceptance by Tennessee Wastewater, the Developer or UCC shall immediately repair, or cause to be repaired, all breaks, leaks, or defects of any type in the installation, construction, or materials included in the sewerage system. After the expiration of the one (1) year period,

Tennessee Wastewater shall be responsible for the repair of all breaks, leaks, or defects of any type in the installation, construction, or materials used in the sewerage system.

11. Tennessee Wastewater shall hold and manage any excess capacity of the sewerage system for future use and. Once the sewerage system, or necessary sections thereof, are installed, completed, and functioning, those elements of the system shall be turned over or dedicated to Tennessee Wastewater for ownership, operation, management, and maintenance of the sewerage system operations. Prior to the delivery or the turn over of the ownership, operation, maintenance, and management of the system to Tennessee Wastewater and the acceptance of same by Tennessee Wastewater, Tennessee Wastewater shall inspect and approve the initial system as installed and any expansions of such system as may be constructed from time to time.

12. Property Rights and Ownership

a. Developer hereby grants Tennessee Wastewater an exclusive right to own and operate all of the sewage collection, treatment, and disposal systems and exclusive use of the land on which said systems are located in the development shown on Exhibit 1 and Developer hereby conveys to Tennessee Wastewater said exclusive right to own and operate all of said systems and lands therein without the necessity of any further contract, deed, conveyance, or easement, for a period of 99 years or so long as said property is used and operated for wastewater collection, treatment, and disposal, whichever shall first occur. Tennessee Wastewater shall have the right to renew at any time said exclusive rights to operate all of the sewerage collection, treatment, and disposal systems, and the land on which said systems are located in The Peninsula at Lake Douglas shown on Exhibit 1.

b. Developer will grant Tennessee Wastewater a permanent, platted, easement to the 4+ acre tract identified, mapped, and approved for use as the sewage treatment and drip dispersal site for the system.

c. In addition, Developer further agrees to execute, acknowledge, and deliver to Tennessee Wastewater any and all easements that may be necessary or appropriate as determined by Tennessee Wastewater for the construction, operation, and maintenance of Tennessee Wastewater's sewerage system, or any portion thereof.

13. Upon installation, testing, approval, and acceptance for use by Tennessee Wastewater, all sewerage system improvements up to the property line of any lot shall become and remain the sole property of Tennessee Wastewater without the necessity of a formal conveyance from the Developer to Tennessee Wastewater. Developer does hereby warrant that title to the same shall be free and unencumbered. Notwithstanding said provision as to title, Developer further agrees that it will execute, acknowledge, and deliver a deed formally conveying title to said sewerage system improvements and utility easements over individual lots to Tennessee Wastewater upon demand by Tennessee Wastewater.

14. Developer agrees to execute, acknowledge, and deliver to Tennessee Wastewater any and all easements that may be necessary or appropriate as determined by Tennessee Wastewater for the construction, operation, and maintenance of Tennessee Wastewater's sewerage system, or portion thereof.

15. The Developer warrants that, should its development include restrictive covenants, said covenants shall include paragraphs regarding the sewerage system as drafted by

Tennessee Wastewater and shall specifically reference include the necessary shut off valve described in Paragraph 8 herein.

16. Developer agrees to inform each lot buyer or lessee, at the time of closing or before, that each buyer or lessee shall provide or cause to be provided, installed, or constructed the appropriate and necessary lines, filters, tanks, pumps, or interceptor tanks at its expense for each planned unit to connect to the wastewater system contemplated under this agreement; and that all tanks, pumps, filters, control panels, and appurtenances shall be as approved by Tennessee Wastewater.

17. Developer agrees to inform each lot buyer or lessee, at the time of closing or before, that the lot is served by a public utility sewerage system for which monthly sewer charges will be billed to the property owner or lessee at rates established by the Tennessee Regulatory Authority, the state's public service commission.

18. This contract is valid only so long as Developer remains the owner of project. This contract is not assignable to or for the benefit of any other person or entity without Tennessee Wastewater's prior written consent. Likewise, Tennessee Wastewater may not assign this contract to any other person or entity without Developer's prior written consent. The Developer commitments and covenants contained in Paragraph 4 shall survive the termination of this contract as to Developer. Nothing in this agreement shall be pledged, mortgaged, hypothecated, or utilized as collateral for any obligations of Developer to any third parties.

19. This agreement shall be governed and interpreted under the laws of the State of Tennessee without regard to any other choice of law statutes or procedures.

20. Should any part of this agreement be found or held invalid or unenforceable by any court or government agency, regulatory body, or utility regulatory commission, such invalidity or unenforceability shall not affect the remainder of this agreement which shall survive and be construed as if such invalidity or unenforceability part had not been contained therein.

21. This agreement cannot be amended except by a written agreement signed by the authorized agents of both Developer and Tennessee Wastewater.

22. Developer and Tennessee Wastewater Systems, Inc. and their respective officers and directors of each company are not agents, representatives, or employees of each other company and neither party shall have the power to obligate or bind any other party in any manner except as otherwise expressly provided in this agreement.

23. Neither party shall be in breach of this agreement by reason of its delay in performance or for failure to perform any of its obligations herein if such delay or failure is cause in whole or in part by strikes or other labor disputes, acts of God or the public enemy, riots, incendiaries, interference by civil or military authorities, delays in transit or delivery, or subsequent events which are beyond its reasonable control or without its fault or negligence.

For

SOUTHEASTERN DEVELOPMENT
GROUP, INC

For

TENNESSEE WASTEWATER SYSTEMS, INC.

Chip Leonard, Managing Partner

Michael Hines, P.E., Vice President

PENINSULA AT LAKE DOUGLAS
WASTEWATER SYSTEM
DESIGN AND CONSTRUCTION CONTRACT

This wastewater system construction and expansion contract, made and entered as of this _____th day of May, 2008, by and between, Utility Capacity Corporation, Inc., a Tennessee corporation, having a principal place of business in Knoxville, Knox County, Tennessee, herein referred to as "UCC" and Southeastern Development Group Inc., a Tennessee corporation, having a principle place of business in Knoxville, Tennessee, herein referred to as "Developer":

WHEREAS, the Developer is the owner and developer of a tract of real property located in Jefferson County, Tennessee, within the jurisdiction limits of the Jefferson County Planning Commission, containing approximately 165 acres more or less and generally referred to herein as The Peninsula at Lake Douglas development project; and;

WHEREAS, The Peninsula at Lake Douglas development project shall have approximately 80 residential lots that will require wastewater disposal, and;

WHEREAS, the Developer requires a sewage treatment, collection, and disposal system, be designed and constructed to serve the aforementioned units, and;

WHEREAS, UCC is in the business of designing and constructing wastewater collection, treatment, and disposal systems, and has the capability to design, construct, and expand the necessary sewage collection, treatment, and disposal system for The Peninsula at Lake Douglas development project;

NOW, THEREFORE, in consideration of the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties warrant, covenant, grant, and make the following agreements:

WITNESSETH

1. Developer is the owner of a tract of real property in Jefferson County, Tennessee, within the jurisdictional limits of the Jefferson County Planning Commission, of approximately 165 acres, and such property is generally referred to herein as The Peninsula at Lake Douglas development project. The Peninsula at Lake Douglas development project has been mapped, platted, and surveyed. The plat for this development as submitted to the Jefferson County Planning Commission for approval, showing 80 lots to be recorded in the Register's Office for Jefferson County, is attached hereto as Exhibit 1.
2. UCC shall design the appropriate wastewater collection, treatment, and reuse system of sufficient size and capacity to collect, treat, and reuse all of the wastewater resulting from the proposed 80 total lots. Total design flow to the system shall not exceed a maximum of 16,000 gallons per day based on peak daily flow expected from those residential units to be located within The Peninsula at Lake Douglas development development.
3. Developer shall provide all materials and labor to install the collection system sewers in accordance with the approved plans and the specifications and requirements of Tennessee Wastewater Systems, Inc.
4. UCC shall provide all materials and labor to install a recirculating packed-bed filter treatment system, an effluent pumping system, and an effluent drip dispersal system in accordance with the approved plans and the specifications and requirements of Tennessee Wastewater Systems, Inc.
5. Developer shall provide permanent access to sufficient land area to site the treatment units and to the four acres approved by the Tennessee Department of Environment and Conservation for drip dispersal of the treated effluent from the sewerage system installed to serve the units described in the previous sections.

6. UCC represents and warrants that the system, as constructed, will meet or exceed all requirements of the Tennessee Department of Environment and Conservation, which has regulatory authority over the design and construction of this system.
7. The Developer has agreed for UCC to have exclusive responsibility for the design, development, construction, and expansion of the wastewater system for the property identified in Exhibit 1. By execution of this agreement, the Developer represents to UCC that it has full right, title, and authorization to allow the construction of the wastewater system contemplated by this agreement.
8. In addition to the original plat shown as Exhibit 1 to this agreement, the Developer agrees upon written request by UCC to provide UCC a boundary line survey of the property shown on Exhibit 1.
9. The Developer agrees upon written request by UCC to provide UCC a copy of the warranty deed(s) evidencing the actual ownership of the property known as the Peninsula at Lake Douglas development project as shown on Exhibit 1.
10. The Developer shall provide UCC a topographic map in electronic format, compatible with AutoCAD R14 or higher, which map includes the acreage to be developed or improved by the Developer in connection with the Peninsula at Lake Douglas development project and the location and boundaries of all roads, lots, and common areas. The Developer shall provide any revisions or updates of the aforesaid topographic map to UCC.
11. To allow access to and the construction and expansion of the initial wastewater system, the Developer shall provide UCC an all weather access road and easement, the necessary power lines, and necessary power drop to the wastewater treatment site and to the effluent drip dispersal site. Such access road and easement shall be free of structures, buildings, woody vegetation, and any uses that would interfere with or obstruct access to wastewater treatment

sites and any lift stations. The power lines shall include all lines, poles, conduit, etc. and related excavations to bring power to the power disconnect and meter base to be set by UCC.

12. UCC shall design, construct, and install the wastewater treatment and effluent dispersal systems and any future expansions thereof as required to serve the units described herein. The location of the treatment and effluent dispersal components of the wastewater system is, or will be, as shown on the plat and the Developer agrees to dedicate such areas as may be needed to be used for the purposes of proper wastewater treatment and effluent dispersal. The location of the collector lines, pump stations, and other reasonably necessary appurtenances or components shall be within the necessary utility easements or rights-of-way shown on Exhibit 1.

13. Developer agrees that only residential facilities shall be connected to the wastewater system and that no restaurant or other commercial food preparation or dining facility or unless shall be connected to the wastewater system unless and until sufficient capacity exists in or is added to the wastewater system and unless and until the Developer provides the necessary and sufficient pretreatment waste stream units for any restaurant, commercial food preparation operations, or dining facility (excluding catered events), or any other non-domestic wastewater generating facility as may be required and approved by Tennessee Wastewater Systems, Inc.

14. As compensation for the design and construction of the sewerage system described above, Developer shall pay UCC the sum of Two Hundred Ninety Thousand Dollars (\$290,000) as stipulated in the payment schedule in Paragraphs 15 and 16 below. Upon completion of the system, Developer is entitled to connect 80 residential lots to the system provided that said lots shall not produce more than 16,000 gallons per day of actual sewage flow based on average daily flows as measured at the discharge to the drip dispersal system.

15. Developer shall make periodic progress payments to UCC for the \$290,000 total cost for system design and construction of Phase 1 of the wastewater system herein described as follows:

- a. \$100,000 upon signature of this agreement; and
- b. \$35,000 upon completion of installation of the recirculating packed-bed filter unit, the influent blend tank, and the effluent pumping tank; and
- c. \$65,000 upon completion of installation of the effluent transfer pumps, Arkal filter, UV units, and control panel; and
- d. \$60,000 upon completion of installation of the drip dispersal fields, and
- e. \$30,000 upon completion of the construction and receipt of a written acceptance of the system from Tennessee Wastewater Systems, Inc.

16. All payments due under Paragraphs 15 and this agreement shall be made within twenty (twenty) calendar days of their invoice dates by check or by electronic funds transfer to a bank account designated by UCC to the Developer. The Developer agrees to pay a one and one-half percent (1.5%) late charge for each month or any portion thereof that any payment due under this agreement is not received by UCC within the agreed upon time.

17. Final payment for construction of the wastewater system shall be made prior to the transfer of ownership of the system to Tennessee Wastewater Systems, Inc. for their ownership, management, and operation of the wastewater system. Tennessee Wastewater Systems, Inc. shall approve all plans and drawings accompanying the wastewater system and any additions or expansions to the system as installed. The actual construction and installation of the wastewater system and any expansions to it shall be subject to the final approval and final inspection of Tennessee Wastewater Systems, Inc.

18. Tennessee Wastewater Systems, Inc. shall hold, manage, and access any excess capacity of the wastewater system for the undeveloped property for future use and expansion

consistent with the development plan identified and attached hereto. Once the wastewater system, or the necessary sections thereof, is installed, completed, and functioning, those elements of the system shall be turned over or dedicated to Tennessee Wastewater Systems, Inc. for management and maintenance of the wastewater system operations as the operator of the wastewater system. UCC shall have no obligation or responsibility to manage or maintain the wastewater system, or certain sections thereof, once it has been installed, completed, and dedicated to Tennessee Wastewater Systems, Inc. Prior to the delivery or the turn over of the maintenance and management of the system to Tennessee Wastewater Systems, Inc., Tennessee Wastewater Systems, Inc. shall inspect and approve the initial system as installed.

19. At the time the wastewater system is to become operational, UCC warrants to the Developer or its assigns the design, construction, and operational characteristics of the wastewater treatment and effluent dispersal systems for a period of one (1) year following the date that such system is dedicated to Tennessee Wastewater Systems, Inc. During such warranty period, UCC will, promptly and in a manner to ensure no unreasonable interruption of wastewater service to the property owners within the Peninsula at Lake Douglas development project, undertake any repairs or replacements necessary to ensure the proper operation of the wastewater system.

20. Developer shall provide UCC and/or Tennessee Wastewater Systems, Inc. a platted and recorded perpetual utility easement to the collection lines, on-lot or common property interceptor tanks, any sewage lift station sites, the treatment and disposal sites, or sites of other necessary components of the wastewater system that may be necessary for the operation, management, and expansion of the wastewater system.

21. In the event of any changes to the initial plat, as recorded, identified as Exhibit 1, the development plan, identified as Exhibit 2, the costs and payments identified herein may be

increased in a pro rata amount to cover the additional costs of design, construction, or building of the wastewater system expansion.

22. This agreement shall be governed and interpreted under the laws of the State of Tennessee without regard to any other choice of law statutes or procedures.

23. Should any part of this agreement be found or held invalid or unenforceable by any court or government agency, regulatory body, or utility regulatory commission, such invalidity or unenforceability shall not affect the remainder of this agreement which shall survive and be construed as if such invalidity or unenforceability part had not been contained therein.

24. This agreement cannot be amended except by a written agreement signed by the authorized agents of both the Developer and UCC.

25. The Developer, UCC, and Tennessee Wastewater Systems, Inc. and their respective officers and directors of each company are not agents, representatives, or employees of each other company and no party shall have the power to obligate or bind any other party in any manner except as otherwise expressly provided in this agreement. Nothing in this agreement shall operate or be construed to establish a partnership, limited partnership, or other joint venture by or between the Developer, UCC, or Tennessee Wastewater Systems, Inc.

26. Neither party shall be in breach of this agreement by reason of its delay in performance or for failure to perform any of its obligations herein if such delay or failure is cause in whole or in part by strikes or other labor disputes, acts of God or the public enemy, riots, incendiaries, interference by civil or military authorities, compliance with governmental laws, rules, regulations, delays in transit or delivery, or subsequent events which are beyond its reasonable control or without its fault or negligence.

27. To ensure that any subsequent property owners, developers, lenders, or contractors have notice of these covenants, agreements, and the obligations contained therein regarding the operation and installation of the wastewater system, the Developer will include in

all instruments conveying, offering, or describing any portion or all of the property and units described herein, specific reference to these covenants and agreements along with the recorded plat(s) referenced herein. The covenant and agreements contained herein are permanent and shall run with the land. This construction and expansion agreement, exclusive of the exhibits, may be recorded in the Register's Office for Jefferson County, Tennessee.

For Developer

SOUTHEASTERN DEVELOPMENT
GROUP, INC.

For UCC

UTILITY CAPACITY CORPORATION,
INC.

Chip Leonard, Managing Partner
Southeastern Development Group, Inc.

Michael Hines, M.S., P.E., President
Utility Capacity Corporation, Inc.