

# KINGS' CHAPEL CAPACITY

Providing Superior Wastewater Service to Tennessee

2008 NOV 19 PM 3 10

TN REGULATORY AUTHORITY  
DOCKET ROOM

November 19, 2008

**VIA HAND DELIVERY**

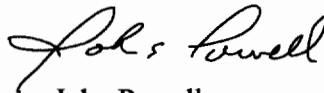
Mr. Tre Hargett, Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37219

**Re: Petition of Kings' Chapel Capacity for approval of a loan in an amount not to exceed \$152,000 pursuant to T.C.A. § 65-4-109 in order to finance bonding costs required by the Williamson County Planning Commission. Docket 08-00181**

Dear Chairman Hargett:

Attached is the Company's Response to the TRA Staff's Data Request No. 2 dated November 10<sup>th</sup>. If you have any questions in regards to this response, please let me know.

Sincerely,



John Powell  
President

Cc: William H. Novak

1413 Plymouth Drive, Brentwood, TN 37027  
Phone: 615-395-0001 Fax: 615-370-3095

**King's Chapel Capacity**  
**Second Data Request Response -- Docket 08-00181**

1. **The Petition indicates that the loan commitment letter between Ashby Communities, LLC ("Ashby") and Kings' Chapel Capacity ("KCC") expires on October 31, 2008. Has KCC acquired a new loan commitment letter? If so, provide a copy and describe the terms and conditions of the loan.**

**COMPANY RESPONSE:**

Attached is a copy of the new loan commitment letter between Ashby Communities, LLC and Kings' Chapel Capacity which extends the commitment date to December 31, 2008. All other terms and conditions of the loan remain unchanged.

2. **After reviewing the letter from Reliant Bank, which was submitted in response to Question 4 in Data Request No. 1, it appears that Reliant refused to issue the irrevocable letter of credit due to KCC's inability to deposit sufficient collateral. Please provide documentation showing that KCC was unable to obtain a loan from a lender other than Ashby for the purpose of depositing said loan proceeds as collateral for the irrevocable letter of credit.**

**COMPANY RESPONSE:**

The second paragraph of the letter from Reliant Bank which was provided in response to Question 4 of Data Request No. 1 reads as follows:

"Our bank primarily requires irrevocable Letters of Credit to be secured with cash deposits and or pledged marketable securities. As Kings Chapel could not deposit cash in the same amount as the Letter of Credit, nor did they have liquid securities to pledge, we were unable to issue the requested Letter of Credit."

Typically banks will not let their clients borrow money for an irrevocable letter of credit, and then deposit those same funds as security for the letter of credit, since this is the collateral that is at risk upon default. Instead, banks generally require a separate deposit of cash or marketable securities equal to the irrevocable letter of credit that they are providing. In other words, to receive an irrevocable Letter of Credit, KCC has to first provide separate funding for the Letter of Credit. KCC does not receive any cash proceeds from the bank after the Letter of Credit is issued.

The letter from Reliant Bank in response to Question 4 of Data Request No. 1 may have been clearer on this issue if had been worded better to indicate that a separate cash deposit was required. Kings' Chapel Capacity apologizes for the wording of this response and any confusion it may have caused.

**KING'S CHAPEL CAPACITY  
LOAN COMMITMENT TERMS WITH ASHBY COMMUNITIES, LLC**

November 17, 2008

Commitment Term:	December 31, 2008
Amount:	Up to \$151,642.00
Interest Rate:	Eight Percent (8%) due quarterly.
Loan Term:	Five (5) years
Repayment Schedule:	Balloon payment of entire balance at end of Loan Term
Other:	Subject to approval by the Tennessee Regulatory Authority

**PROMISSORY NOTE  
(TERM)**

**\$151,642.00**

**Brentwood, Tennessee  
December 31, 2008**

**FOR VALUE RECEIVED**, the undersigned, **KING'S CHAPEL CAPACITY**, a Tennessee limited liability company, ("**Borrower**"), promises to pay to **ASHBY COMMUNITIES**, a Tennessee limited liability company, ("**Lender**"), having an address of 1413 Plymouth Drive, Brentwood, TN 37027, the principal sum of one hundred fifty-one thousand, six hundred forty-two and 00/100 dollars (\$151,642.00), together with interest from date until paid, upon disbursed and unpaid principal balances, at the rate hereinafter specified.

- The term on this Note shall be for five (5) years.
- The interest rate on this Note shall remain fixed at eight percent (8%) with payments due quarterly.
- The entire principal (\$151,642.00) on this Note is due through a balloon payment at the end of the five (5) year term.

Unless otherwise agreed to or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs. The annual interest rate for this Note is computed on a 365/365 basis. Borrower will pay Lender at Lender's office address shown above, or at such other place as Lender may designate in writing.

Lender and Borrower hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by either Lender or Borrower against the other. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

**PRIOR TO SIGNING THIS NOTE, THE BORROWER HAS READ AND UNDERSTOOD ALL PROVISIONS OF THIS NOTE, INCLUDING THE INTEREST RATE AND REPAYMENT PROVISIONS. BORROWER AGREES TO THE TERMS OF THE NOTE.**

**BORROWER:**

**KING'S CHAPEL CAPCITY**

**BY:** \_\_\_\_\_  
**John Powell, President**