

Ambac Financial Services, LLC
One State Street Plaza
New York, New York 10004

February 9, 2005

The Public Building Authority of
Blount County, Tennessee
381 Court Street
Maryville, TN 37804
Attn: Executive Director

Ladies and Gentlemen:

The purpose of this letter agreement is to confirm the terms and conditions of the transaction entered into between us on the Trade Date specified below (the “*Transaction*”). This letter agreement constitutes a “Confirmation” as referred to in the Master Agreement specified below.

The definitions and provisions contained in the 1992 ISDA Municipal Counterparty Definitions (as published by the International Swaps and Derivatives Association, Inc.) and the Schedule to the Agreement specified below are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement, dated as of January 8, 2002, as amended and supplemented from time to time (the “*Agreement*”), between Ambac Financial Services, LLC (“*AFS*”) and The Public Building Authority of Blount County, Tennessee (the “*Authority*”), relating to Transactions in which the obligations of the Authority are payable from amounts paid by Blount County, Tennessee (the “*Borrower*”) under any loan agreement between the Authority and the Borrower. The obligations of the Authority under this Transaction are payable from amounts paid by the Borrower under the Loan Agreement (as defined in Section 6) relating to the Authority’s Local Government Public Improvement Bonds, Adjustable Rate Series B-A-4. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates — which is an interest rate swap — are as follows:

Calculation Amount:	\$10,000,000.00, subject to reduction on the dates as set forth on Schedule I hereto. For each date set forth on Schedule I hereto, the Calculation Amount set forth opposite such date is to be effective for the period from and including such date to but excluding
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the next subsequent date.

Trade Date: February 9, 2005
Effective Date: February 23, 2005
Termination Date: June 1, 2028, subject to the Modified Following Business Day Convention
Business Days: New York

AFS Floating Amounts:

Floating Rate Payer: AFS
Payment Dates: The first day of each March, June, September and December, commencing March 1, 2005, to and including the Termination Date, subject to the Modified Following Business Day Convention.
Period-End Dates: The first day of each March, June, September and December. No adjustment.
Floating Rate Option: The sum of (i) USD-LIBOR-BBA multiplied by 0.59 and (ii) 0.35%
Designated Maturity: One (1) month
Floating Rate Day Count Fraction: Actual/360
Reset Dates: The first day of each month
Floating Rate Determination Date: Two (2) London Banking Days prior to each Reset Date
Method of Averaging: Weighted Average
Compounding: Inapplicable

Authority Fixed Amounts:

Fixed Rate Payer: The Authority
Payment Dates: Same as Payment Dates for AFS Floating Amounts
Period-End Dates: Same as Period-End Dates for AFS Floating Amounts
Fixed Rate: 3.264% per annum
Fixed Rate Day

Count Fraction: 30/360

3. Account Details

Account for Payments to AFS:

The Bank of New York, ABA #021000018, Beneficiary: IOC 565 (Account of Ambac Financial Services, LLC, Account Number 111569 AFP)

Account for Payments to the Authority:

Regions Bank; Birmingham, AL
ABA# 062005690
Credit Trust Dept.
Account #: 0300000701
For further credit to:
TN LOAN VIC2 INT; Account #: 819807041
Attn: Brenda Landers, 615-687-4534

4. Offices

The Office of AFS for the Transaction is its office at the address specified for notices to it in the Schedule to the Agreement. The Office of the Authority for the Transaction is its office at the address specified for notices to it in the Schedule to the Agreement.

5. The Authority and the party approving this Transaction below (the “*Approving Party*”) each represent to, and agree with, AFS as follows:

(a) Neither the Authority nor the Approving Party is relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of AFS or the AFS Credit Enhancer other than the representations expressly set forth in the Agreement and in this Confirmation.

(b) Each of the Authority and the Approving Party has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment, hedging and trading decisions (including decisions regarding the suitability of this Transaction) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by AFS or the AFS Credit Enhancer.

(c) Each of the Authority and the Approving Party has a full understanding of all the terms, conditions and risks (economic and otherwise) of this Transaction and is capable of assuming and willing to assume (financially and otherwise) those risks, including the basis risk in connection with this Transaction as a result of the fact that the interest rate on the Bonds is determined on a basis that is different from the Floating Rate Option hereunder.

(d) It is understood and agreed that for all purposes of this Transaction (i) AFS has acted solely as an independent contractor and (ii) neither AFS nor the AFS Credit Enhancer has acted as a financial, investment or commodity trading advisor, fiduciary or agent to the Authority or the Approving Party for any purpose, it being understood that AFS has provided

indicative swap quotations with respect to this Transaction. AFS has not rendered any advice or counsel to the Authority or the Approving Party, whether directly or indirectly through any other person, including, without limitation, any financial advisor to the Authority or the Approving Party or any underwriter of the Bonds, as to this Transaction or the advisability of entering into this Transaction.

(e) This Transaction will be entered into by each of the Authority and the Approving Party for the purpose of managing its borrowings by hedging interest rate risk and not for the purpose of speculation.

(f) Each of the Authority and the Approving Party is an “eligible contract participant” within the meaning of Section 1(a)(12) of the Commodity Exchange Act (7 U.S.C. 1a), as amended by the Commodity Futures Modernization Act of 2000.

6. For purposes of this Transaction, the following definitions shall apply:

“**Bond Security Agreement**” means the Indenture of Trust, dated as of February 1, 2003, between the Authority and First American National Bank, as Trustee, as supplemented by the Series B-A-4 Supplemental Indenture of Trust, dated as of January 1, 2004, between such parties, as the same may be amended in accordance with the terms thereof and hereof.

“**Bonds**” means the Authority’s \$10,000,000 Local Government Public Improvement Bonds, Series B-A-4 issued January 29, 2004.

“**Loan Agreement**” means the Loan Agreement, dated as of January 1, 2004, between the Authority and the Borrower, as the same may be amended in accordance with the terms hereof and thereof.

7. For purposes of this Transaction, the following defined term in Part 4(g) of the Schedule to the Agreement is hereby amended and restated in its entirety as follows:

“**Bond Retirement Change**” means any change in the outstanding principal amount of the Bonds which causes such principal amount of the Bonds on any date to be less than the Calculation Amounts for such date.

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

AMBAC FINANCIAL SERVICES, LLC

By 

Name:

Title:

By 

Name:

Title:



Confirmed as of the date first
above written on February 9, 2005:

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**

By _____

Name:

Title:

By _____

Name:

Title:

Terms of this Confirmation and the Agreement referred to in Section 1 of this Confirmation are hereby approved. It is hereby acknowledged that a risk of this Transaction is the basis risk described in paragraph 5(c) and, due to such risk, payments owed by the undersigned under the Loan Agreement may be greater than they would have been but for such basis risk.

BLOUNT COUNTY, TENNESSEE

By _____

Name:

Title:

By _____

Name:

Title:

Please confirm that the foregoing correctly sets forth the terms of our agreement by executing the copy of this Confirmation enclosed for that purpose and returning it to us.

Yours sincerely,

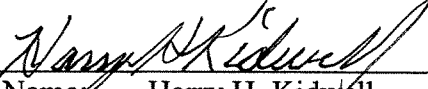
AMBAC FINANCIAL SERVICES, LLC

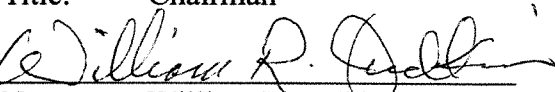
By _____
Name:
Title:

By _____
Name:
Title:

Confirmed as of the date first
above written on February 9, 2005:

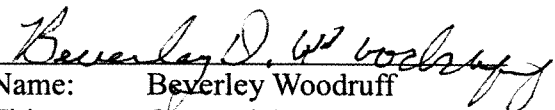
**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**

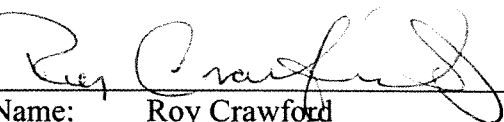
By 
Name: Harry H. Kidwell
Title: Chairman

By 
Name: William R. Judkins
Title: Secretary

Terms of this Confirmation and the Agreement referred to in Section 1 of this Confirmation are hereby approved. It is hereby acknowledged that a risk of this Transaction is the basis risk described in paragraph 5(c) and, due to such risk, payments owed by the undersigned under the Loan Agreement may be greater than they would have been but for such basis risk.

BLOUNT COUNTY, TENNESSEE

By 
Name: Beverley Woodruff
Title: County Mayor

By 
Name: Roy Crawford
Title: County Clerk

SCHEDULE I

<u>Date</u>	<u>Calculation Amount</u>
Effective Date	USD 10,000,000.00
June 1, 2027	8,500,000.00
June 1, 2028	-