

[EXECUTION VERSION]
(Local Currency - Single Jurisdiction)

SCHEDULE

to the

Master Agreement

dated as of December 20, 2005

between

AMBAC FINANCIAL SERVICES, LLC
a limited liability company organized under the
law of the State of Delaware (“Party A” or “AFS”),

and

THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE
(“Party B” or “Counterparty”)

Relating to
Transactions in Which the Obligations of Party B
are Payable from Amounts Paid by
Blount County, Tennessee
under any Loan Agreement between
Party B and Blount County, Tennessee
identified in the Confirmation to the relevant Transaction.

Part 1.
Termination Provisions.

In this Agreement:-

(a) “**Specified Entity**” means in relation to Party A for the purpose of:-

Section 5(a)(v) (Default under Specified Transaction), None

Section 5(a)(vi) (Cross Default), None

Section 5(a)(vii) (Bankruptcy), None

Section 5(b)(ii) (Credit Event Upon Merger), None

and in relation to Party B for the purpose of:-

Section 5(a)(v) (Default under Specified Transaction), Blount County, Tennessee

Section 5(a)(vi) (Cross Default), Blount County, Tennessee

Section 5(a)(vii) (Bankruptcy), Blount County, Tennessee

Section 5(b)(ii) (Credit Event Upon Merger), Blount County, Tennessee

(b) “**Specified Transaction**” will have the meaning set forth in Section 12 of this Agreement; provided, however, that no transaction shall be a Specified Transaction within the meaning of this Agreement unless the obligations of Party B in respect of such transaction are payable from amounts paid to Party B by Blount County, Tennessee.

(c) The “**Cross Default**” provisions of Section 5(a)(vi) will apply to Party A and will apply to Party B; provided, however, that Specified Indebtedness with respect to Party B means only any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) of Blount County, Tennessee (a) in respect of borrowed money or (b) under an installment sales contract or lease purchase arrangement that secures indebtedness of another party where, in the case of (a) and (b), such obligation is a general obligation of such County. .

“**Specified Indebtedness**” will have the meaning specified in Section 12 of this Agreement.

“**Threshold Amount**” means with respect to Party A, U.S. \$10,000,000 or its equivalent in any currency, and with respect to Party B, U.S. \$1,000,000 or its equivalent in any currency.

The “**Credit Event Upon Merger**” provisions of Section 5(b)(ii) will apply to Party A and will apply to Party B.

(d) The “**Automatic Early Termination**” provisions of Section 6(a) will apply to Party A and will not apply to Party B; provided, however, that with respect to Party A, an Early Termination Date in respect of all outstanding Transactions will also occur immediately upon the

occurrence of an Event of Default specified in Section 5(a)(ix) (as added by Part 1(g)(iv) of this Schedule).

(e) **Payments on Early Termination.** For the purpose of Section 6(e) of this Agreement:-

- (i) Market Quotation will apply.
- (ii) The Second Method will apply.

(f) **Additional Termination Event** will apply. In addition to any Additional Termination Events specified in a Confirmation, the following event shall be an “**Additional Termination Event**”: the exercise by Party B of its option, which it is hereby granted (the “**Termination Option**”), to designate an Early Termination Date at any time. In the case of such an Additional Termination Event, Party B shall be the Affected Party.

(g) **Events of Default.**

(i) Failure to Pay or Deliver. Section 5(a)(i) of this Agreement is hereby amended to read in its entirety as follows:

“(i) Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party, *provided*, that in the case of AFS an Event of Default shall be deemed to exist for purposes of this clause (i) only if both AFS and the AFS Credit Enhancer shall fail to make the required payment and, *provided further*, that in the case of the Counterparty, an Event of Default shall occur and the continuing under this clause (i) notwithstanding payment by the Counterparty Credit Enhancer under the Counterparty Credit Enhancement;”

(ii) Bankruptcy. Clause (6) of Section 5(a)(vii) of this Agreement is hereby amended to read in its entirety as follows:

“(6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B) any legislative or regulatory body with competent jurisdiction over a party shall recommend or declare the existence of a state of financial emergency or similar state of financial distress in respect of it;”

(iii) Merger Without Assumption. Section 5(a)(viii) of this Agreement is hereby amended to read in its entirety as follows:

“(viii) *Merger without Assumption.* The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity (or

also in the case of Party B and without limiting the foregoing, an entity such as a board, body, commission, agency, organization or authority succeeds to the principal functions of, and/or the powers or duties granted to, Party B) and, at the time of such consolidation, amalgamation, merger, transfer or succession:

(1) the resulting, surviving, transferee or successor entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving, transferee or successor entity of its obligations under this Agreement.”

(iv) Additional Events of Default. The following Events of Default shall be added to Section 5(a) of the Agreement:

“(ix) *Termination Payment Default.* The total of all payments due and owing by Party A, AMBAC Financial Products Inc. (a wholly-owned subsidiary of Party A and referred to herein as “AFPI”) and the AFS Credit Enhancer for more than three Local Business Days after notice of failure to make such payments in respect of (A) swap agreements between Party A or AFPI and other counterparties and (B) financial guarantee insurance policies issued by Ambac Assurance Corporation with respect to such swap agreements, exceeds \$10,000,000; or

(x) with respect to the Counterparty, the occurrence and continuance of any event that constitutes an “Event of Default” of the Counterparty under the Standby Agreement or the Bond Security Agreement.”

Part 2. Agreement to Deliver Documents.

For the purpose of Section 4(a) of this Agreement, each party agrees to provide the following documents, as applicable:

(a) Documents to be delivered are:

Party required to deliver document	Form/Document/Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
Party A	Opinion of counsel to Party A as to the due authorization, execution, delivery and enforceability of this Agreement in the form attached as Exhibit A to this Schedule	As of execution of this Agreement	No
Party A	Annual Report containing audited annual financial statements of Ambac Assurance Corporation	On demand of Party B, after becoming publicly available	Yes
Party A	Opinion of an Assistant Counsel to Party A's Credit Support Provider	As of execution of this Agreement	No
Party A	An executed copy of the AFS Credit Enhancement	As of execution of this Agreement	No
Party B	Opinion of counsel to Party B as to the due authorization, execution, delivery and enforceability of this Agreement in the form attached as Exhibit B to this Schedule	As of execution of this Agreement	No
Party B	An executed copy of the Counterparty Credit Enhancement	As of date of execution of this Agreement	No
Party B	A reliance letter from Bond Counsel permitting Party A to rely on the opinion of Bond Counsel with respect to the Bonds and the Loan Agreement providing, among other things, that interest on the Bonds is excludable from gross income for federal income tax purposes except for Tax Code Exceptions	As of date of execution of this Agreement	No

Party B	Certified copies of all documents evidencing the necessary authorizations and approvals with respect to the execution, delivery and performance by Party B of this Agreement	As of execution of this Agreement	Yes
Party B	Audited annual financial statements of Blount County, Tennessee	On demand of Party A, after becoming publicly available	Yes
Party B	Certified copies of all documents evidencing the necessary authorization and approvals with respect to the Transaction	As of any Transaction	Yes
Party B	Final copies of Bond Documents	As of the date of issuance of the Bonds and any Transaction	Yes
Party B	Opinion of counsel to Blount County, Tennessee	As of execution of this Agreement	No
Party B	Report of the Comptroller of the Treasury of the State of Tennessee with respect to compliance with the State Funding Board Guidelines for Interest Rate and Forward Purchase Agreements	As of execution of this Agreement	No
Party B	Certificate of Trustee acknowledging Transaction as secured under Bond Security Agreement	As of any Transaction	No

**Part 3.
Miscellaneous.**

- (a) Addresses for Notices. For the purpose of Section 10(a) of this Agreement:
Address for notices or communications to Party A:

Ambac Financial Services, LLC
One State Street Plaza
New York, New York 10004
Attention: Steven L. Dymant
Telephone No.: (212) 208-3130
Facsimile No.: (212) 208-3480

Address for notices or communications to the AFS Credit Enhancer:

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Attention: General Counsel
Telephone No.: (212) 208-3482
Facsimile No.: (212) 344-5297

Address for notices or communications to Party B:

The Public Building Authority of Blount County, Tennessee
381 Court Street
Maryville, TN 37804

with a copy to:

Norman Newton, Esq.
Crawford, Crawford & Newton
101 West Broadway, Suite 106
Maryville, TN 37802
Telephone No.: (865) 982-5431
Facsimile No.: (865) 984-6300

and

Mr. Joseph K. Ayres
Cumberland Securities
530 South Gay Street, Suite 800
Knoxville, TN 37902
Telephone No.: (865) 637-1131
Facsimile No.: (865) 637-0169

Address for notices or communications to Counterparty Credit Enhancer:

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Attention: General Counsel
Telephone No.: (212) 208-3482
Facsimile No.: (212) 344-5297

(b) **Calculation Agent.** The Calculation Agent is Party A, unless otherwise specified in a Confirmation in relation to the relevant Transaction.

(c) **Credit Support Document.** Details of any Credit Support Document, each of which are incorporated by reference in, and made part of, this Agreement and each Confirmation (unless provided otherwise in a Confirmation):

Party A: Financial Guaranty Insurance Policy for Swap Agreement No. SWLP0227BE issued by the AFS Credit Enhancer (defined below), dated December 20, 2005 (the “*AFS Credit Enhancement*”).

Party A: Credit Support Annex to this Schedule dated as of December 20, 2005 between AFS and the Counterparty, which is attached hereto and hereby made a part of the Agreement.

Party B: Financial Guaranty Insurance Policy for Swap Agreement No. CPP0227BE issued by the Counterparty Credit Enhancer (defined below), dated December 20, 2005 (the “*Counterparty Credit Enhancement*”).

(d) **Credit Support Provider.**

Credit Support Provider means in relation to Party A, Ambac Assurance Corporation (the “*AFS Credit Enhancer*”) and in relation to Party B, Ambac Assurance Corporation (“*Counterparty Credit Enhancer*”).

(e) **Governing Law and Jurisdiction.** Section 11 of this Agreement is hereby amended to read in its entirety as follows:

“(i) *Governing Law.* This Agreement and each Transaction will be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine.

(ii) *Waiver of Trial by Jury; Consent to Jurisdiction.* To the extent permitted by applicable law, each party irrevocably waives any right it may have to trial by jury. To the extent permitted by applicable law, Party B consents to the initiation of any proceedings in any federal or state court of competent jurisdiction located in the State of New York.”

(f) “Affiliate” will have the meaning specified in Section 12 of this Agreement.

Part 4.
Other Provisions.

(a) **Date Agreement Effective.** This Agreement is deemed to have come into effect on December 28, 2005.

(b) **Representations.**

(i) The introductory clause of Section 3 of the Agreement is hereby amended to read in its entirety as follows: “Each party represents to the other party (which representations shall be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of Section 3(a) and 3(m) of this Agreement, at all times until the termination of this Agreement) that:”.

(ii) The representations set forth in Section 3(a)(ii), (iii), (iv) and (v) of the Agreement are hereby modified by adding the words “and, in the case of Party B, the Bond Documents” after the words “this Agreement” in each place such phrase appears in said sections.

(iii) *Additional Representations and Warranties of Party B.* Party B represents to (which representations will be deemed to be repeated by Party B on each date on which a Transaction is entered into), and agrees with, Party A as follows:

(A) At all times during the term of this Agreement, Party B will continuously include and maintain as part of its official written books and records this Agreement, this Schedule, and all other exhibits, supplements, and attachments hereto and documents incorporated by reference herein, all Confirmations, and evidence of all necessary authorizations.

(B) This Agreement, each Confirmation and any other documentation relating to this Agreement to which it is a party or that it is required to deliver will be executed and delivered by the Chairman, Vice Chairman, Secretary or Treasurer of Party B.

(C) Party B has all requisite power and authority (1) to carry on its activities and (2) to execute, deliver and perform its obligations under the Bond Documents and this Agreement.

(D) Each Bond Document has been or will be duly and validly authorized, executed and delivered or adopted, as the case may be, in accordance with the Counterparty’s charter or bylaws and constitutes or will constitute a valid and legally binding obligation of the Counterparty, enforceable against the Counterparty in accordance with its terms, except as such enforcement may be limited by laws relating to bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors’ rights generally and subject to general equitable principles (regardless of whether said enforceability is considered in a proceeding in equity or at law).

(E) The payment obligations of the Counterparty under this Agreement are limited obligations of the Counterparty payable solely from amounts available under the Bond Security Agreement and the Loan Agreement.

(F) The payment by or on behalf of the Counterparty of the Payment Amounts or other amounts due hereunder is authorized and permitted under the Bond Documents and the laws of the State of Tennessee and of the United States of America.

(G) There is no immunity for Party B on the grounds of sovereignty or other similar grounds from suit or remedies at law or in equity for enforcement of this Agreement.

(H) Party B is not 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 this Agreement, such Credit Support Document and in any Confirmation.

(I) Party B 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 Agreement) 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.

(J) Party B has a full understanding of all the terms, conditions and risks (economic and otherwise) of this Agreement and is capable of assuming and willing to assume (financially and otherwise) those risks, including the basis risk in connection with any 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 under any Transaction.

(K) It is understood and agreed that for all purposes of this Agreement, the Bond Documents and the transactions contemplated hereby and thereby (the "**Financing Transactions**") (a) AFS has acted solely as an independent contractor and (b) neither AFS nor the AFS Credit Enhancer has acted as a financial, investment or commodity trading advisor, fiduciary or agent to Party B for any purpose, it being understood that AFS has provided indicative swap quotations with respect to the Transactions. AFS has not rendered any advice or counsel to Party B, whether directly or indirectly through any other person, including, without limitation, any financial advisor to Party B or any underwriter of the Bonds, as to this Agreement, the Bond Documents or the Financing Transactions or the advisability of entering into this Agreement, the Bond Documents or the Financing Transactions.

(L) Each representation the Counterparty has made to any other party in any Bond Document or other agreement entered into in connection with the transactions contemplated by this Agreement is true and correct.

(M) This Agreement has been, and each Transaction hereunder will be, entered into by the Counterparty for the purpose of managing its borrowings by hedging interest rate risk and not for the purpose of speculation.

(N) Party B 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.”

(c) **Additional Agreements.** Section 4 of this Agreement is modified to add clauses (d) through (k) as follows:

“(d) *Certain Notices.* Party B will furnish to AFS the following: (1) as soon as possible and in any event within two (2) Business Days after the occurrence of each Event of Default or an event that, with the passage of time or the giving of notice or both would constitute an Event of Default under this Agreement or the Bond Documents, a statement of an officer of Party B setting forth details thereof and the action which Party B proposes to take with respect to this Agreement; (2) a copy of each notice when and as given to Bondholders, the Bond trustee or the Bond Insurer under the Bond Documents; (3) notice of any proposed amendments or supplements to the Bond Documents prior to the effective date thereof; and (4) promptly after Party B’s receipt of notification thereof, notice of any withdrawal, suspension or reduction of the ratings of Moody’s of the Bonds.

(e) *Compliance with Bond Documents.* The Counterparty agrees to comply with all covenants of the Counterparty under the Bond Documents which materially affect AFS to the same extent as if such covenants were set forth in full herein and all such covenants are hereby incorporated herein as security for the performance of the obligations of the Counterparty hereunder.

(f) *Ratings Obligation.* At any time, upon reasonable prior notice, upon the request of AFS, in the event that there is no publicly available long-term rating of Specified Indebtedness of Blount County, Tennessee without credit enhancement, to cause S&P or Moody’s to provide written evidence (satisfactory to AFS) of the rating of the Bonds without taking into account any credit enhancement therefor. If such ratings confirm that a Credit Event has occurred, then a Credit Event will be deemed to have occurred on the date that such ratings were requested.

(g) *Notice of Conversion.* The Counterparty shall give prior written notice to AFS of any conversion of the interest rate on the Bonds to another rate period.

(h) *Notice of Mandatory Tender or Redemption.* The Counterparty shall give prior written notice to AFS of any mandatory tender of the Bonds or any prepayment by Blount County, Tennessee of the loan under the Loan Agreement.

(i) *Inspection.* Upon any Event of Default, the books and documents in the Counterparty's possession relating to the Bonds and the revenues derived from the Loan Agreement shall be open to inspection by such agents as AFS may from time to time designate.

(j) *Notice of Default.* The Counterparty shall provide immediate written notice to AFS of any default with respect to the loan made under the Loan Agreement of which the counterparty has knowledge.

(k) *Negative Covenants.* The Counterparty agrees that so long as it shall have any obligations hereunder it shall not:

(1) effect a Bond Retirement Change or an Interest Rate Conversion without first delivering to AFS an opinion of counsel, such counsel and the form and substance of such opinion to be reasonably satisfactory to AFS, to the effect that notwithstanding such event this Agreement is a legal, valid, binding and enforceable obligation of the Counterparty (including all security for payments due hereunder as provided herein or by the Bond Security Agreement), unless (X) the date on which such Bond Retirement Change or Interest Rate Conversion occurs is designated by the Counterparty in accordance with Section 6 hereof as an Early Termination Date with respect to such Bond Retirement Change or Interest Rate Conversion, or (Y) in the case of a proposed Bond Retirement Change, Schedule I to the Confirmation shall be revised in accordance with Part 5 of the Schedule to this Agreement to reflect the reductions in Calculation Amounts as provided for therein and any amounts required to be paid by the Counterparty pursuant to such Part in respect of such proposed Bond Retirement Change shall have been paid; or

(2) agree to any amendment, modification, supplement or waiver of any of the Bond Documents, or enter into any other agreement for the issuance or purchase of the Bonds, without the prior written consent of AFS, which consent will not be unreasonably withheld or delayed, and any such amendment, modification, supplement or waiver without the prior written consent of AFS shall have no force and effect with respect to this Agreement; or

(3) enter into any guaranteed investment contract with respect to the Bonds without the prior written consent of AFS.

(d) **Early Termination.** Section 6 of this Agreement is modified as follows:

(i) Right to Terminate Following Event of Default. Section 6(a) of the Agreement is hereby amended to read in its entirety as follows:

“(a) *Right to Terminate Following Event of Default.* If at any time an Event of Default with respect to a party (the “Defaulting Party”) has occurred and is then continuing, the other party (the “Non-defaulting Party”) may (in the event that AFS is the Defaulting Party, subject to Section 6(f) of this Agreement and, in the event that the Counterparty is the Defaulting Party, subject to Section 8(n) of this

Agreement), and shall, at the direction of the Counterparty Credit Enhancer (in the event that AFS is the Defaulting Party, subject to Section 6(f) hereof) by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If however, “Automatic Early Termination” is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in (A) Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8) and (B) if such party is AFS, Section 5(a)(ix).”

(ii) Additional Provisions Relating to Counterparty Designation of Termination Event. No designation of an Early Termination Date shall be made by the Counterparty pursuant to Section 6(b) where the calculation would otherwise result in a payment to AFS by the Counterparty unless the Counterparty shall provide evidence satisfactory to AFS (which may include an escrow of funds) that such payment will be made by the Counterparty (and not by the Counterparty Credit Enhancer).

(iii) Additional Termination Provisions. The following provisions are added as clauses (f) and (g) to Section 6 of this Agreement:

“(f) *Termination of all Transactions Following Event of Default or Termination Event.* Notwithstanding anything to the contrary in Section 6, (i) any notice that Party B properly delivers under Section 6(a) or 6(b)(iii) designating an Early Termination Date with respect to any Transaction (or the occurrence of an Automatic Early Termination pursuant to Section 6(a) following an Event of Default specified in Section 5(a)(vii) or 5(a)(ix) with respect to AFS) shall have the effect of designating such Early Termination Date as the Early Termination Date in respect of all Transactions, (ii) such notice delivered by Party B to AFS shall be in the form of Attachment 1 to the Swap Policy, and a copy of such notice shall also be delivered by Party B to the AFS Credit Enhancer, and (iii) such notice (or the occurrence of such Automatic Early Termination pursuant to Section 6(a) following an Event of Default specified in Section 5(a)(vii) or 5(a)(ix) with respect to Party A) shall have the following effect:

(i) Unless an Insurer Event of Default or an Insurer Termination Event (each as defined in the AFS Credit Enhancement) has occurred and is continuing on the date designated in such notice, or deemed to have been designated, as the Early Termination Date:

(A) The Early Termination Date designated in Party B’s notice (or deemed to have occurred as a result of an Automatic Early Termination) shall be the Early Termination Date for this Agreement, and

amounts payable in respect thereof shall be calculated as set forth in Section 6 of the Agreement; provided, however, that the AFS Credit Enhancer shall be entitled to make any calculations that Party B otherwise would have been entitled to make pursuant to said Section 6(e);

(B) Party B shall retain collateral, if any, pursuant to any applicable collateralization document (herein referred to as “Collateral”) in satisfaction of AFS’s obligations under this Agreement;

(C) From and after the Early Termination Date designated in such notice (or deemed to have occurred as a result of an Automatic Early Termination), Party B shall have no further rights against or obligations to AFS under this Agreement or any Transaction hereunder and will look solely to the AFS Credit Enhancer for the performance of its continuing obligations under the AFS Credit Enhancement, subject to the terms and conditions set forth therein;

(D) From and after such Early Termination Date, in consideration of the AFS Credit Enhancer’s performance of its continuing obligations under the AFS Credit Enhancement, Party B shall perform all of the obligations, and shall pay such amounts, as would otherwise have been required from it under this Agreement and all Transactions hereunder if no Early Termination Date had occurred, to the AFS Credit Enhancer pursuant to the AFS Credit Enhancement, subject to the terms and conditions set forth therein;

(E) From and after such Early Termination Date, in consideration of the AFS Credit Enhancer’s performance of its continuing obligations under the AFS Credit Enhancement, the AFS Credit Enhancer shall become the beneficiary of Party B’s Credit Support Documents, if any, as though the AFS Credit Enhancer was the original beneficiary thereof; and

(F) From and after such Early Termination Date, in consideration of the AFS Credit Enhancer’s performance of its continuing obligations under the AFS Credit Enhancement and the agreement of Party B in clause (D) above, (i) Party B shall transfer any Collateral retained by it pursuant to clause (B) to the AFS Credit Enhancer outright and not as collateral for any obligation, by sending or causing to be sent a confirmation to the AFS Credit Enhancer of such transfer and to identify the AFS Credit Enhancer as the holder of any such Collateral in its books and records (subject to any security interest created by the AFS Credit Enhancement), and (ii) the AFS Credit Enhancer shall assume all of Party B’s remaining rights and obligations under this Agreement (including the right to receive (to the extent such right has not been satisfied by Party B’s retention of Collateral) or obligation to pay, as applicable, amounts under Section 6(d)(ii)).

(ii) If an Insurer Event of Default or an Insurer Termination Event has occurred and is continuing on the date designated in the termination notice delivered by Party B as provided in this clause (f), or deemed to have been designated, as the Early Termination Date, (A) Party B shall have no right to payment under the AFS Credit Enhancement except for payment of amounts owing but unpaid by AFS following the termination of all Transactions and (B) all Transactions shall terminate in accordance with the terms hereof as of the Early Termination Date specified in such notice.

(iii) Notwithstanding (i) or (ii) above, if the termination notice is in respect of a Termination Event with respect to AFS, and there is no Insurer Event of Default and no Insurer Termination Event on the date designated in the termination notice delivered by Party B as provided in this clause (f), or deemed to have been designated, as the Early Termination Date, AFS may instead transfer its rights and obligations with respect to all Transactions to any of its Affiliates without the consent of Party B pursuant to Section 7 (as modified by Part 4(f) of this Schedule).

(g) *Copies of Certain Notices.* Each of AFS and Party B shall deliver to the AFS Credit Enhancer a copy of any notice delivered by it to the other party of the occurrence of any Event of Default or Termination Event under the Agreement, and no such notice shall be deemed effective with respect to Party B unless and until it is also deemed effective with respect to the AFS Credit Enhancer.”

(e) **Miscellaneous.** Section 8 of this Agreement is modified by adding clauses (h), (i), (j), (k), (l), (m) and (n):

“(h) *Covenant.* Party B agrees that it will not include in any Official Statement or supplement thereto relating to the Bonds any statements or information with respect to AFS, the AFS Credit Enhancer or this Agreement to which AFS or the AFS Credit Enhancer shall reasonably object by notice to Party B after having been forwarded by Party B a draft copy of such document. Party B further agrees that it will furnish AFS and the AFS Credit Enhancer copies of any such document at or prior to the issuance or release thereof. It is understood that neither AFS nor the AFS Credit Enhancer has any responsibility for and makes no representation as to the accuracy, completeness or adequacy of any information contained in any such document.

(i) *Pledge of Swap Payment Rights and Other Property.* AFS has pledged its rights to receive payments under this Agreement (subject to all provisions, including, without limitation, the netting provisions hereof) and under all other swap agreements entered into or to be entered into by AFS (“**Other Swap Agreements**”), and has pledged or will pledge certain other property, to The Bank of New York, or its successor, as collateral trustee, for the benefit of Party B and the counterparties under Other Swap Agreements, ratably to secure AFS’s obligations to make payments to Party B and such counterparties under this Agreement and Other Swap Agreements following the occurrence of an Event of

Default with respect to AFS set forth in Section 5(a)(i) (but solely as it relates to payments under Section 6(e) of this Agreement), Section 5(a)(vii) or Section 5(a)(ix) (as added by Part 1(g)(iv) of the Schedule to this Agreement) of this Agreement.

(j) *Subrogation.* To the extent that AFS has received payment from the Counterparty Credit Enhancer or another entity in respect of amounts that would otherwise be due from Party B under this Agreement, such entity shall be subrogated to AFS with respect to AFS's right to receive such amounts from Party B. To the extent that Party B has received payment from the AFS Credit Enhancer or another entity in respect of amounts that would otherwise be due from AFS under this Agreement, such entity shall be subrogated to Party B with respect to Party B's right to receive such amounts from AFS.

(k) *Financial Statements.* Audited annual financial statements delivered by Party A and Party B pursuant to Part 2 of the Schedule to this Agreement shall be certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles on a basis consistent with prior periods, except to the extent noted therein.

(l) *Procedures for Entering into Transactions.* With respect to each Transaction entered into pursuant to this Agreement, AFS will, on or promptly after the **TRADE DATE** thereof, send Party B a Confirmation confirming such Transaction. Party B will promptly thereafter confirm the accuracy of or request the correction of such Confirmation (in the latter case, indicating how it believes the terms of such confirmation should be correctly stated and such other terms which should be added to or deleted from such Confirmation to make it correct).

(m) *AFS Credit Enhancer and Counterparty Credit Enhancer as a Party in Interest and Third-Party Beneficiary.* The parties hereto acknowledge and agree that (a) the AFS Credit Enhancer is a party in interest and third-party beneficiary under this Agreement entitled to enforce its rights as so stated herein and as subrogee of AFS as if it were a party hereto and (b) the AFS Credit Enhancer's obligations with respect to this Agreement are limited to the provisions of the AFS Credit Enhancement, except as otherwise set forth in this Agreement. Each covenant and representation of the Counterparty in this Agreement is made for the benefit of the AFS Credit Enhancer. The parties hereto further acknowledge and agree that (a) the Counterparty Credit Enhancer is a party in interest and third-party beneficiary under this Agreement entitled to enforce its rights as so stated herein and as subrogee of the Counterparty as if it were a party hereto and (b) the Counterparty Credit Enhancer's obligations with respect to this Agreement are limited to the provisions of the Counterparty Credit Enhancement, except as otherwise set forth in this Agreement. Each covenant and representation of AFS in this Agreement is made for the benefit of the Counterparty Credit Enhancer.

(n) *Counterparty Credit Enhancer Provisions.* Notwithstanding anything to the contrary set forth in this Agreement, until such time as (A) the Counterparty

Credit Enhancement is not in effect, (B) there shall have occurred and be continuing the event described in Section 5(a)(vii) of the Agreement with respect to the Counterparty Credit Enhancer, (C) there shall have occurred and be continuing a default under the Counterparty Credit Enhancement or (D) the rating of the claims-paying ability of the Counterparty Credit Enhancer shall have been withdrawn, suspended or reduced below “A-” in the case of S&P, or withdrawn, suspended or reduced below “A3” in the case of Moody’s, AFS shall not, unless consented to by the Counterparty Credit Enhancer in writing: (1) suspend payments under Section 2 of the Agreement (if permitted thereunder); or (2) exercise remedies pursuant to the Agreement including designation of an Early Termination Date. If at any time there shall occur an event or circumstance referred to in the foregoing clause (A), (B), (C) or (D), AFS may designate an Early Termination Date without the consent of the Counterparty Credit Enhancer if AFS is otherwise entitled to do so; *provided, however*; that AFS acknowledges that only terminations directed by or consented to by the Counterparty Credit Enhancer are covered under the Counterparty Credit Enhancement.

The Counterparty agrees to reimburse the Counterparty Credit Enhancer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses incurred by the Counterparty Credit Enhancer in connection with the enforcement by the Counterparty Credit Enhancer of the Counterparty’s obligations under this Agreement and any other documents executed in connection with this Agreement.

The Counterparty agrees that all amounts owing to the Counterparty Credit Enhancer under this Agreement or the Counterparty Credit Enhancement must be paid in full prior to any optional redemption or refunding of the Bonds unless the Counterparty Credit Enhancer gives directions to the contrary.

(f) **Transfer Provisions.** Section 7 of this Agreement is amended to insert the following at the end of said Section:

“; *provided, however*, that AFS may transfer or assign any of its rights, interests and obligations hereunder to any Affiliate or subsidiary of AFS or of the AFS Credit Enhancer, provided that the assignee or transferee of obligations of AFS shall assume all such obligations of AFS hereunder so assigned or transferred and that prior to such assignment or transfer, the AFS Credit Enhancer shall confirm in writing to AFS and Party B that the AFS Credit Support Document shall remain in full force and effect after such assignment or transfer; and provided, further, that upon such assignment or transfer, the assignee or transferee would not be in default under any covenants, representations or obligations of AFS hereunder.”

(g) **Additional Definitions.** The definitions and provisions contained in the 1992 ISDA Municipal Counterparty Definitions (as published by the International Swap Dealers Association, Inc.) (the “*1992 ISDA Municipal Counterparty Definitions*”) are incorporated into this Schedule. In the event of any inconsistency between these definitions and provisions and

this Schedule, this Schedule will govern. Section 12 of this Agreement is modified by inserting therein the following definitions:

“**Act**” means Chapter 10 of Title 12, Tennessee Code Annotated, as amended.

“**AFS Credit Enhancement**” has the meaning set forth in Part 3(c) of the Schedule to the Agreement.

“**AFS Credit Enhancer**” has the meaning set forth in Part 3(d) of the Schedule to the Agreement.

“**Bond Counsel**” means any firm of nationally recognized bond counsel acceptable to the Counterparty and AFS or such other parties as may be provided for.

“**Bond Documents**” means the Bond Security Agreement, the Loan Agreement, the Standby Agreement and the Remarketing Agreement.

“**Bond Insurer**” means, with respect to any Transaction, the party identified as insurer of the Bonds under the Bond Documents related to such Transaction.

“**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 not to equal the Calculation Amount for such date. No Bond Retirement Change shall be deemed to occur if following a notice thereof Schedule I to the Confirmation shall be revised in accordance with Part 5 of the Schedule to reflect the reduction in Calculation Amounts as provided for therein.

“**Bond Security Agreement**”, with respect to any Transaction, has the meaning set forth in the Confirmation for such Transaction.

“**Bonds**”, with respect to any Transaction, has the meaning set forth in the Confirmation for such Transaction.

“**Business Day**” shall have the meaning specified in the Bond Security Agreement.

“**Counterparty Credit Enhancement**” has the meaning set forth in Part 3(c) of the Schedule to the Agreement.

“**Counterparty Credit Enhancer**” has the meaning set forth in Part 3(d) of the Schedule to the Agreement.

“**Credit Event**” means that with respect to the long-term rating of S&P or Moody’s of any Specified Indebtedness of Blount County, Tennessee without credit enhancement, either (a) such rating of S&P is withdrawn or suspended, or reduced below “A-” (or the then current equivalent thereof), or (b) such rating of Moody’s is withdrawn or suspended, or reduced below “A3” (or the then current equivalent thereof); provided, however, that for this purpose Specified Indebtedness of such County means only any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) of such County (i) in respect of borrowed money or (ii) under an installment sales contract or lease purchase arrangement that secures

indebtedness of another party where, in the case of (i) and (ii), such obligation is a general obligation of such County.

“Default Rate” means USD-LIBOR-BBA plus 1%.

“Loan Agreement”, with respect to any Transaction, has the meaning set forth in the Confirmation for such Transaction.

“Market-Related Amount” on any day means the Market Quotation relating to payment upon early termination determined by AFS in a commercially reasonable manner at any time during such day (i) as though a Termination Event had occurred and such day were an Early Termination Date and AFS were the Affected Party and (ii) with the requirement for four Reference Market-makers deemed to be met by having AFS make a quotation as if AFS were the sole Reference Market-maker with respect thereto. If the Counterparty or the Counterparty Credit Enhancer finds unreasonable any quotation that AFS makes pursuant to this definition as if it were the sole Reference Market-maker, then the requirement for four Reference Market-makers shall be carried out as provided in the definition of Market Quotation.

“Moody’s” means Moody’s Investors Service Inc. and any successor nationally-recognized rating agency.

“Notional Amount” means, with respect to any date and any maturity of Bonds, the notional amount for such date, determined by reference to Schedule I to the Confirmation to the relevant Transaction as it may be revised from time to time hereunder, and with respect to any Calculation Period or portion thereof, an amount equal to the sum of the Notional Amounts applicable to each date and maturity of Bonds during such Calculation Period or portion thereof divided by the number of calendar days occurring during such Calculation Period or portion thereof.

“Official Statement” means the Official Statement of the Counterparty relating to the Bonds.

“Remarketing Agent” means the entity acting in the capacity of remarketing agent in accordance with the Bond Security Agreement, initially, Morgan Keegan & Company, Inc.

“Remarketing Agreement” means the agreement under which the Remarketing Agent agrees to perform the duties of the Remarketing Agent in accordance with the Bond Security Agreement.

“S&P” means Standard & Poor’s Ratings Services, a division of McGraw-Hill, Inc., and any successor nationally-recognized rating agency.

“Standby Agreement” means the standby bond purchase agreement, letter of credit (and related reimbursement agreement), line of credit or similar liquidity facility delivered in accordance with the terms of the Bond Security Agreement as a source of funding for payment of the purchase price of the Bonds tendered or deemed tendered in accordance with the provisions of the Bond Security Agreement as the same may be amended in accordance with the terms hereof and thereof.

“*Standby Purchaser*” means the entity or entities, under and in accordance with the Bond Security Agreement, which provide liquidity support for the payment of the tender price of the Bonds through the issuance of a Standby Agreement.

“*Termination Option*” has the meaning set forth in Part 1(g) of the Schedule to the Agreement.

“*Trustee*” means the trustee designated under the Bond Security Agreement.

Part 5. Provisions Relating to a Bond Retirement Change.

(a) Party B agrees that so long as it shall have any obligations hereunder it shall not put into effect a Bond Retirement Change without first delivering to AFS an opinion of nationally recognized Bond Counsel, such counsel and the form and substance of such opinion to be reasonably satisfactory to AFS, to the effect that notwithstanding such event this Agreement is a legal, valid, binding and enforceable obligation of Party B, unless (i) the date on which such Bond Retirement Change occurs is designated by Party B in accordance with Section 6 hereof as an Early Termination Date with respect to such Bond Retirement Change, (ii) the applicable Confirmation shall have been revised in accordance with this Part 5 to reflect the reductions in notional amounts as provided for in this Part 5 or (iii) AFS shall have waived in writing the delivery of such opinion. Party B agrees to give notice to AFS and the AFS Credit Enhancer of any proposed Bond Retirement Change no less than fifteen (15) Business Days prior to the occurrence thereof but in no event later than notice thereof is given to Bondholders. Such notice shall state which of the above actions Party B has determined to take.

(b) In the event that Party B determines to reduce the Calculation Amounts to reflect (i) in the case of a Bond Retirement Change referred to in clause (a) of the definition thereof in Section 12 of this Agreement (as added by Part 4(h) of this Schedule), the retirement of Bonds which would result from such Bond Retirement Change, or (ii) in the case of a Bond Retirement Change referred to in clause (b) of such definition, the prospective non-issuance of Bonds which would result from such Bond Retirement Change, the notice required by Part 5(a) shall further set forth the reduction in the Calculation Amounts set forth in Schedule I to the Confirmation so that on any date the Calculation Amount for such date shall equal the principal amount of Bonds outstanding on such date after giving effect to such Bond retirement or non-issuance of Bonds. AFS agrees to provide on a date no later than five (5) Business Days after receipt of such notice from Party B written notice to Party B of the Market-Related Amount for such date determined as though the Calculation Amounts in Schedule I to the Confirmation for the relevant Transaction were equal to the amounts of the reductions in Calculation Amounts as set forth pursuant to the aforesaid notice from Party B and Party B were the Affected Party. If such Market-Related Amount is a positive number, AFS will pay such amount on the date of such Bond retirement to Party B; if the Market-Related Amount is a negative number, Party B will pay the absolute value of such amount on the date of such Bond Retirement Change to AFS. Notwithstanding the foregoing, the election by Party B to reduce the Calculation Amounts shall not be effective if such calculation of the Market-Related Amount results in a payment to AFS unless Party B provides evidence reasonably satisfactory to AFS (which may include an escrow of funds) that such payment will be made by Party B. The amount paid pursuant to this clause (b) shall be

adjusted by adding or subtracting, as the case may be, the net Unpaid Amounts owing from one party to another with respect to the reduced portion of the Calculation Amounts, calculated in the same manner as Unpaid Amounts are calculated in respect of Terminated Transactions, but using the date of the Bond Retirement Change in lieu of the “Early Termination Date” for the date as of which the calculation of Unpaid Amounts is to be made.

(c) Upon payment being made as provided in (b) above, Party B shall be entitled to cause the relevant Bond Retirement Change and simultaneously therewith Schedule I to the Confirmation shall be revised to reflect the reduction in Calculation Amounts as set forth pursuant to clause (b) above. The obligations of the parties to make any further payments under Section 2 in respect of that portion of payment amounts that, but for such reduction in Calculation Amounts, would have been payable under Section 2 will terminate, but without prejudice to the other provisions of this Agreement. The occurrence of the notice of the Bond Retirement Change and the election by Party B to reduce the Calculation Amounts shall not affect the continuing effectiveness of this Agreement as to the Calculation Amounts as revised.

(d) The Counterparty agrees that all amounts owing to the Counterparty Credit Enhancer under this Agreement or the Counterparty Credit Enhancement must be paid in full prior to any optional redemption or refunding of the Bonds unless the Counterparty Credit Enhancer gives directions to the contrary.

Part 6.
Obligations of the Counterparty Hereunder;
Pledge Under the Bond Security Agreement and Hereunder

(a) **Special Obligations.** Notwithstanding any provision of this Agreement to the contrary, the obligations of Party B under this Agreement shall be special obligations of Party B payable solely from the Loan Agreement. Neither the general credit of Party B nor the credit or taxing power of the State of Tennessee is pledged for the payment of the obligations of Party B under this Agreement and such obligations shall not be or be deemed to be an obligation of the State of Tennessee.

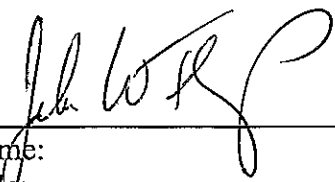
(b) **Security Under Bond Security Agreement.** This Agreement constitutes a “Swap Agreement”, and AFS constitutes a “Swap Counterparty”, for all purposes of the Bond Security Agreement and the Loan Agreement. Accordingly, the obligations of the Counterparty hereunder, other than for Termination Payments (as defined in the Bond Security Agreement), are secured under the Bond Security Agreement on a parity with the Bonds by the pledge of the Trust Estate, to the extent and in the manner set forth in the Bond Security Agreement.

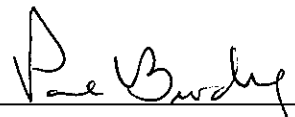
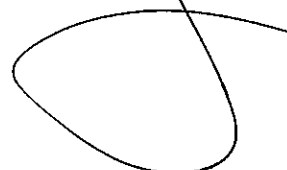
(c) **Security for Termination Payment.** In order to secure the payment of Termination Payments, the Counterparty, in consideration of the agreements of AFS contained herein and in consideration of the premises, does hereby grant to AFS a lien on and security interest in the portion of the Additional Payments (as defined in the Bond Security Agreement) received or to be received from Blount County, Tennessee to provide for the payment of Termination Payments.

(d) **No Discharge.** In the event that all of the Bonds shall be discharged prior to full performance by the Counterparty of its obligations under this Agreement, the Counterparty acknowledges that the irrevocable lien on the Trust Estate for payments hereunder shall not be discharged but will continue and remain in full force and effect until full performance of such obligations by the Counterparty.

IN WITNESS WHEREOF, the parties have executed this document as of the date specified on the first page of this document.

AMBAC FINANCIAL SERVICES, LLC

By: 
Name:
Title:

By: 
Name:
Title: 

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

By: _____
Name: Harry Kidwell
Title: Chairman

By: _____
Name: William R. Judkins
Title: Secretary

IN WITNESS WHEREOF, the parties have executed this document as of the date specified on the first page of this document.

AMBAC FINANCIAL SERVICES, LLC

By: _____
Name:
Title:

By: _____
Name:
Title:

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

By: *Harry Kidwell*
Name: Harry Kidwell
Title: Chairman

By: *William R. Judkins*
Name: William R Judkins
Title: Secretary

FORM OF OPINION OF COUNSEL TO PARTY A

December 28, 2005

The Public Building Authority of Blount
County, Tennessee
381 Court Street
Maryville, TN 37804

Re: Master Agreement and Confirmation between The Public Building Authority of
Blount County, Tennessee and Ambac Financial Services, LLC

Ladies and Gentlemen:

We have acted as counsel to Ambac Financial Services, LLC, a Delaware limited liability company (“*AFS*”), in connection with the execution and delivery by AFS of the agreement listed on Schedule A hereto (the “*Agreement*”), including a Master Agreement, a Schedule and a Confirmation. Capitalized terms used but not otherwise defined herein have the meanings assigned thereto in the Agreements.

In rendering this opinion, we have examined executed originals or copies of the Agreements and such records, documents, instruments, certificates of public officials, of AFS and of Ambac Assurance Corporation, the sole member of AFS (“*Ambac Assurance*”), the corporate general partner of AFS, and such questions of law as we have deemed necessary for the purpose of rendering the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures and the authenticity of all items submitted to us as originals and the conformity to originals of all items submitted to us as certified copies and the authenticity of the originals of such copies. As to certain matters of fact relevant to the opinions hereinafter expressed, we have relied upon certifications, statements, representations, and warranties of AFS, Ambac Assurance, Party B and their respective representatives, including statements, representations and warranties contained in the Agreement, and we have assumed and have not independently verified that all such certifications, statements, representations and warranties are true, accurate and complete. We have assumed that Party B has the legal capacity, power and authority to execute, deliver and perform its obligations under the Agreement and that the Agreement constitutes the legal, valid and binding agreement of Party B and is enforceable against Party B in accordance with the terms thereof.

The opinions expressed herein are limited to the laws of the State of New York, the Limited Liability Company Act of the State of Delaware and the Federal laws of the United States of America.

Based upon the foregoing and having regard to such legal considerations as we have deemed relevant, we are of the opinion, subject to the qualifications expressed herein, that:

(1) AFS is a limited liability company validly existing and in good standing under the law of the State of Delaware.

(2) AFS has the limited liability company power and authority to execute and deliver the Agreement and to perform its obligations thereunder and has taken all necessary action to authorize such execution and delivery and the performance of those obligations.

(3) The execution and delivery by AFS of the Agreement and its performance of its obligations thereunder do not violate or conflict with its certificate of formation, as amended to date, or any law, regulation, rule, decree, order or judgment binding or affecting it or its property.

(4) No approval, consent or authorization of any governmental or public agency or authority or any other institution not already obtained is required for the execution by AFS of, or performance of AFS's obligations under, the Agreement.

(5) The Agreement has been duly authorized, executed and delivered by AFS and constitute the legal, valid and binding obligations of AFS enforceable in accordance with the terms of the Agreement.

The opinions expressed herein are subject to the following qualifications:

(A) The enforceability of each Agreement and the rights and remedies thereunder are subject to and may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship or other similar laws from time to time in effect relating to or affecting generally the enforcement of creditors' rights and (ii) general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding at law or in equity).

(B) The opinion expressed in paragraph 1 above is based solely upon a certificate of the Secretary of State of the State of Delaware.

(C) The opinion expressed in paragraph 5 above is subject to the qualification that we express no opinion regarding the enforceability of Section 6(e) of the Agreement insofar as it purports to obligate a party, on termination of the Agreement, to pay an amount in excess of that measured by the lowest quotation from a Reference Market-maker. In addition, in connection with any such early termination on the grounds of default, a court might limit the non-defaulting party's recovery to its actual damages in the circumstances, imposing its own settlement procedures in lieu of the provisions of Section 6(e) of the Agreement.

(D) We express no opinion herein as to whether a court or other authority or body located outside of the State of New York would enforce the governing law provision of, or honor, the Agreement.

(E) We have rendered the opinions expressed herein based on facts and circumstances existing, and applicable laws, rules, regulations, court decisions and regulatory authority

determinations in effect, on the date hereof. We disclaim any obligation to update or supplement this opinion letter for events occurring or coming to our attention after the date hereof.

We are furnishing this letter to the addressees solely for their benefit, and no other person is entitled to rely hereon. Without the prior written consent of the undersigned, this letter may not be used, circulated, quoted, or otherwise referred to for any other purpose not disclosed or delivered to, or relied upon by, anyone other than the addressees.

Very truly yours,

SCHEDULE A

Agreements Between Ambac Financial Services, LLC and
THE PUBLIC BUILDING AUTHORITY OF BLOUNT COUNTY, TENNESSEE

1. ISDA Master Agreement, dated as of December 20, 2005 (the “Master Agreement”), between AFS and the Authority, including the Schedule thereto.
2. Confirmation, dated December 20, 2005, between AFS and the Authority, entered into under the Master Agreement with respect to the Authority’s Local Government Public Improvement Bonds, Series IV-H-1.

FORM OF OPINION OF COUNSEL TO PARTY B

December 28, 2005

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

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004

Re: Master Agreement and Confirmation between The Public Building Authority of
Blount County, Tennessee and Ambac Financial Services, LLC

Ladies and Gentlemen:

We have acted as counsel to The Public Building Authority of Blount County, Tennessee (“Party B”) in connection with the execution and delivery by Party B of (a) that certain ISDA Master Agreement listed on the attached Schedule, dated as of December 20, 2005 between Ambac Financial Services, LLC, a Delaware limited liability company (“**Party A**”) and Party B, including the Schedule attached thereto (the “**Master Agreement**”), and (b) that certain Confirmation under the Master Agreement, dated December 20, 2005, relating to an interest rate swap transaction (such Confirmation and the Master Agreement are referred to herein as the “**Agreement**”). Capitalized terms used but not otherwise defined herein have the meanings assigned thereto in the Agreement.

In rendering this opinion, we have examined an executed original or copy of the Agreement and such records, documents, instruments, certificates of public officials, of Party B, and such questions of law as we have deemed necessary for the purpose of rendering the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures and the authenticity of all items submitted to us as originals and the conformity to originals of all items submitted to us as certified copies and the authenticity of the originals of such copies. As to certain matters of fact relevant to the opinions hereinafter expressed, we have relied upon certifications, statements, representations, and warranties of Party B, Party A and their respective representatives, including statements, representations and warranties contained in the Agreement, and we have assumed and have not independently verified that all such certifications, statements, representations and warranties are true, accurate and complete. We have assumed that Party A has the legal capacity, power and authority to execute, deliver and perform its obligations under the Agreement and that the Agreement constitutes the legal, valid and binding agreement of Party A and is enforceable against Party A in accordance with the terms thereof.

We have also examined the reports of the Comptroller of the State of Tennessee rendered pursuant to Chapter 10 of Title 12 of Tennessee Code Annotated finding that each Agreement is in compliance with the guidelines of the State Funding Board.

The opinions expressed herein are limited to the laws of the State of Tennessee and the Federal laws of the United States of America. We have assumed for purposes of this opinion that the laws of the State of New York, which purports to govern the Agreement, is the same as the law of the State of Tennessee.

Based upon the foregoing and having regard to such legal considerations as we have deemed relevant, we are of the opinion, subject to the qualifications expressed herein, that:

(1) Party B is a public corporation validly existing and in good standing under the law of the State of Tennessee.

(2) Party B has the power and authority to execute and deliver the Agreement and each Bond Document to which it is a party and to perform its obligations thereunder and has taken all necessary action to authorize such execution and delivery and the performance of those obligations.

(3) The execution and delivery by Party B of the Agreement and the Bond Documents to which it is a party and its performance of its obligations thereunder do not violate or conflict with its organization document, as amended to date, or any law, regulation, rule, decree, order, judgment or contractual restriction binding on or affecting it or its property.

(4) No approval, consent or authorization of any governmental or public agency or authority or any other institution not already obtained is required for the execution by Party B of, or performance of Party B's obligations under, the Agreement or any Bond Document.

(5) The Agreement and each Bond Document to which it is a party has been duly authorized, executed and delivered by Party B and constitutes the legal, valid and binding obligation of Party B enforceable in accordance with the terms thereof.

(6) There is not pending or, to our knowledge, threatened against Party B any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against of the Agreement or its ability to perform its obligations under the Agreement.

The opinions expressed herein are subject to the following qualifications:

(A) The enforceability of the Agreement and each Bond Document to which Party B is a party and the rights and remedies thereunder are subject to and may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship or other similar laws from time to time in effect relating to or affecting generally the enforcement of creditors' rights and (ii) general principles of equity, including without limitation concepts of

materiality, reasonableness, good faith and fair dealing (regardless of whether considered in a proceeding at law or in equity).

(B) The opinion expressed in paragraph 1 above is based solely upon a certificate of the Secretary of State of the State of Tennessee.

(C) The opinion expressed in paragraph (5) above is subject to the qualification that we express no opinion regarding the enforceability of Section 6(e) of the Agreement insofar as it purports to obligate a party, on termination of such Agreement, to pay an amount in excess of that measured by the lowest quotation from a Reference Market-maker. In addition, in connection with any such early termination on the grounds of default, a court might limit the non-defaulting party's recovery to its actual damages in the circumstances, imposing its own settlement procedures in lieu of the provisions of Section 6(e) of the Agreement.

(D) We have rendered the opinions expressed herein based on facts and circumstances existing, and applicable laws, rules, regulations, court decisions and regulatory authority determinations in effect, on the date hereof. We disclaim any obligation to update or supplement this opinion letter for events occurring or coming to our attention after the date hereof.

We are furnishing this letter to the addressees solely for their benefit, and no other person is entitled to rely hereon. Without the prior written consent of the undersigned, this letter may not be used, circulated, quoted, or otherwise referred to for any other purpose not disclosed or delivered to, or relied upon by, anyone other than the addressees.

Very truly yours,