

AMENDMENT TO REVOLVING LOAN AGREEMENT

THIS AMENDMENT TO REVOLVING LOAN AGREEMENT entered into as of the ____ day of January, 2012 by and between BOARD OF MAYOR AND ALDERMEN OF THE CITY OF FRANKLIN, TENNESSEE, a Tennessee municipality (the "City"), and THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF FRANKLIN, a Tennessee public non-profit corporation (the "IDB").

WITNESSETH:

WHEREAS, the IDB has, pursuant to an Indenture of Trust dated as of December 1, 2005 (the "Indenture") between the IDB and The Bank of New York Trust Company, N.A., as Trustee (the "Trustee"), issued its Adjustable Rate Taxable Tax Increment Bonds, Series 2005 (the "Bonds"); and

WHEREAS, the Bonds are payable from certain revenues specified in the Indenture (the "Specified Revenue Sources"); and

WHEREAS, the IDB and Fifth Third Securities, as Remarketing Agent, have entered into a Remarketing Agreement dated as of December 1, 2005 (the "Remarketing Agreement") relating to the Bonds; and

WHEREAS, the Bonds are secured by an Irrevocable Letter of Credit (the "Letter of Credit") issued by Fifth Third Bank (the "LOC Bank") in favor of the Trustee issued pursuant to a Reimbursement Agreement dated as of December 1, 2005 (as from time to time amended, the "Reimbursement Agreement") between the IDB and the LOC Bank; and

WHEREAS, the Reimbursement Agreement obligates the IDB to reimburse the LOC Bank for any draws made by the Trustee on the Letter of Credit; and

WHEREAS, to enhance the marketability of the Bonds and to induce the LOC Bank to issue the Letter of Credit, the City and the IDB previously entered into a Revolving Loan Agreement dated as of December 21, 2005 (the "Revolving Loan Agreement") pursuant to which the City agreed to loan funds to the IDB which can be used to make payments due under the Reimbursement Agreement and the Remarketing Agreement in the event that other revenues pledged for the payment therefor are insufficient;

WHEREAS, the IDB desires to renew and extend the Letter of Credit, and as a condition for such renewal and extension, the LOC Bank has required that the Revolving Loan Agreement be amended.

NOW, THEREFORE, in consideration of the premises, the parties hereby agree that the Revolving Loan Agreement is amended as follows:

1. The phrase December 31, 2010 in Section 7 of the Agreement is hereby amended to read December 31, 2015.

2. The number \$2,700,000 in Section 7 of the Agreement is hereby amended to read \$5,000,000.

3. Except as hereby amended, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment to Revolving Loan Agreement as of the day and year first above written.

BOARD OF MAYOR AND ALDERMEN OF THE
CITY OF FRANKLIN, TENNESSEE

By: _____

Title: Mayor

THE INDUSTRIAL DEVELOPMENT BOARD OF
CITY OF FRANKLIN

By: _____

Title: Chairman

CITY OF FRANKLIN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Cont.)

F. Long-term Debt (Cont.)

Contingent Liability

The City of Franklin entered a standby loan agreement with the City of Franklin Industrial Development Board in December 2005, subsequent to an Industrial Development Board bond issue for \$15 million. The bond issue provided funds to purchase land for the site of the Nissan North America Headquarters project, a 500,000 square feet building on a 50 – acre campus in the McEwen Economic Development District of Franklin. The Development District is a tax-increment financing district, created under Tennessee Law, which is designed to provide funds which will retire the bond issue from property taxes on future development.

At the inception of the project, the Industrial Development Board had approximately two years of debt service escrowed. As of January 2008, this escrow was fully spent and the City of Franklin began, as agreed, to make available short-term loans while the proceeds from the Development District were insufficient to cover the debt service. These loans apply only to project years three through seven (2009 through 2013), and cannot exceed \$5 million at any time during that period. At present, expected development in the area is proceeding as projected in the debt repayment plan. Through June 30, 2011, the City has lent \$2,833,900 to the Industrial Development Board under standby loan agreement. This amount will be repaid through future property taxes on the development.

Industrial Development Bonds

The City, through the Industrial Development Board, has in the past authorized issuance of various Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Swap Agreements

The City has two interest rate swap agreements which are considered to be derivative financial instruments under GASB Statement 53, "Accounting and Financial Reporting for Derivative Instruments." Accordingly, the derivatives are reported on the statement of net assets at fair value, and are tested for effectiveness to qualify for hedge accounting.

Both pay-fixed interest rate swap transactions are associated with variable debt. Combining a pay-fixed receive-variable rate swap with variable debt results in "synthetic" fixed rate debt: The economics are similar to fixed rate debt, but another instrument is involved unlike regular fixed rate debt. Each time the City created synthetic fixed rate debt, a comparison and determination was made that the fixed rate on regular debt would have been higher than the fixed rate on the swap.

For both swaps, there are two main strategies the City pursued with respect to each transaction. Each swap can achieve one or more of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates on each reporting period compare to when the derivative was put in place. The accumulated changes in fair value, or total fair value of the derivatives are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB 53, each swap transaction is then evaluated to determine what type of accounting treatment to apply.