

IN THE COURT OF APPEALS OF TENNESSEE
AT NASHVILLE
May 19, 2026 Session

FILED

08/13/2026

Clerk of the
Appellate Courts

CITY OF SHELBYVILLE v. BEDFORD COUNTY

Appeal from the Chancery Court for Bedford County
No. 34818 Don R. Ash, Senior Judge

No. M2025-00851-COA-R3-CV

This appeal requires us to determine whether a contract—silent as to duration—was terminable at will or after a reasonable time, and whether the trial court properly set a termination date. In 1974, Appellant Bedford County and Appellee City of Shelbyville entered into a contract, under which Appellee agreed to pay Appellant a portion of its sales tax revenue. The purpose of the contract was to effectuate the building and maintenance of County schools as described in a separate “Building Program B,” which was completed in 1999. The parties’ contract contained no termination date, and the parties dispute whether certain requirements set out therein constitute conditions precedent to termination. After the City notified the County of its intent to terminate the contract, the City filed this declaratory judgment action. The trial court held that the requirements set out in the contract did not address termination. In the absence of a termination date or event, the trial court held that the contract was terminable within a reasonable time or at will upon reasonable notice. The trial court set the termination date as July 1, 2027. The County appeals. Discerning no error, we affirm.

Tenn. R. App. P. 3 Appeal as of Right; Judgment of the Chancery Court
Affirmed and Remanded

STEVEN W. MARONEY, J., delivered the opinion of the court, in which J. STEVEN STAFFORD, P.J., W.S., and VALERIE L. SMITH, J., joined.

Michael A. Cottone, Taylor J. Askew, and Quynh-Anh D. Kibler, Nashville, Tennessee, for the appellant, Bedford County, Tennessee.

David R. Esquivel, Stephen J. Jasper, and Sara K. Morgan, Nashville, Tennessee, for the appellee, City of Shelbyville.

OPINION

I. Background

A. Merger of the City and County School Systems

Prior to June 13, 1968, Appellee City of Shelbyville (“City”) and Appellant Bedford County (“County”) operated separate school systems. On March 12, 1968, the City Council held a meeting concerning unification of the City and County schools. In the Spring of 1968, both school boards voted separately to approve merger of the two school systems. In a referendum held on June 13, 1968, the City voted in favor of merger and transferred school administration responsibilities to the County.

As part of the merger, the City and County boards of education entered into a Lease Purchase Agreement in 1969, pursuant to which the City retained ownership of its existing school buildings but leased them to the County.

B. 1974 County School Building Program and Funding

In October 1973, the County appointed a study committee to investigate the school building program in Bedford County. After the study was completed, the Bedford County School Board (the “School Board”) considered two potential building programs,¹ both of which provided for substantial improvements to the County school buildings. “Building Program A” had an estimated cost of \$9,941,087.00, and “Building Program B” had an estimated cost of \$10,655,568.00. To fund the building program, the County proposed assessing an additional .75% local option sales tax pursuant to the 1963 Local Option Revenue Act.

In relevant part, the letter stated:

This correspondence is intended to convey to you and members of the Quarterly Court of Bedford County, Tennessee, a letter of intent to enter into an agreement and/or contract with Bedford County in which The City of Shelbyville will agree to relinquish to Bedford County its part of the income that would result from a referendum approving an increase in Sales Tax over and above the existing rate, provided either “Plan A” or “Plan B” as

¹ The School Board is a governmental entity distinct from the County and not a party to the Sales Tax Agreement at issue in this case; nonetheless, “while county boards of education are not part of the general county government in the sense that they derive their powers and duties from the county charter, they are in essence part of that local government, exclusively vested with statutory authority in all matters relating to public education.” *S. Constructors, Inc. v. Loudon Cnty. Bd. of Educ.*, 58 S.W.3d 706, 715 (Tenn. 2001) (citing *Reed v. Rhea County*, 189 Tenn. 247, 251, 225 S.W.2d 49, 50 (1949)).

submitted by the Bedford County School Board is approved by the Court.

On March 4, 1974, the County voted to adopt “Building Program B” for school building and maintenance. On March 4, 1974, the County also voted to hold a referendum to levy an additional .75% local option sales tax, increasing the sales tax from 1% to 1.75%. In a referendum held on May 2, 1974, the County’s residents voted in favor of the proposed levy of an additional .75% local option sales and use tax.

C. Sales Tax Negotiations and Agreement

On October 8, 1974, the City Council passed Resolution No. 100-74, which in pertinent part authorized the City Mayor to enter a contract between the City and County under which the City would relinquish its share of the additional .75% local option sales and use tax revenue, provided that several provisions were met, including approval of Building Program B, as well as the inclusion of an express termination period.² However, such a contract was not entered into by the parties.

On October 10, 1974, the School Board held a meeting regarding the potential agreement with the City to relinquish funds for Building Program B.³ On October 12, 1974, the City adopted Resolution No. 103-74, which authorized the City Mayor to enter into an agreement to relinquish the City’s share of the .75% tax increase to the County. Resolution 103-74 did not include the express termination period contained in Resolution 100-74, nor did it contain any other express termination language.

On October 14, 1974, the City and County entered into an agreement (“Sales Tax Agreement”), under which the City agreed to relinquish its share of the revenue resulting from the .75% increase in the local option sales and use tax adopted the same year. In relevant part, the Sales Tax Agreement states:

The CITY OF SHELBYVILLE does hereby relinquish to BEDFORD COUNTY, TENNESSEE, the city’s share of the three-fourths (3/4ths) of one (1%) percent increase in local sales and use tax as approved by the voters of Bedford County in the May 2, 1974 tax referendum, retroactive to July 1, 1974, but subject to the following conditions, which conditions Bedford

² The proposed termination language read as follows: “[s]aid contract shall be for the term of twenty (20) years or until the \$10,555,568.00 school bond issue is paid, whichever is sooner; but in no event shall said contract extend beyond June 30, 1994.”

³ Appellant argues that the School Board rejected the terms of Resolution 100-74 during this meeting. The minutes certainly reflect that the School Board proposed additional, though not necessarily inconsistent, procedural requirements or conditions concerning the potential agreement. Regardless, while the Sales Tax Agreement being negotiated and ultimately adopted was made contingent upon the School Board taking certain actions, the School Board was not a party to the Sales Tax Agreement, which was between the City and County exclusively.

County hereby accepts:

- a. This Contract is contingent upon the execution of an acceptable lease and/or lease purchase agreement with the Bedford County School Board for the City of Shelbyville school property;
- b. All funds relinquished by the City of Shelbyville shall be used solely and exclusively by Bedford County for educational purposes;
- c. No other municipality located within Bedford County shall be permitted or allowed, in whole or in part to withhold any of their relinquishment of said sales and use tax, and no part of said relinquishment shall be refunded by the County, in any form, to any other municipality located within Bedford County;
- d. All provisions of "Building Program B" . . . shall be implemented in full and the sums of money allocated for the schools listed therein shall be expended;
- e. An effective program of maintenance, repair and upkeep of all school buildings owned by the City of Shelbyville, or in which the City of Shelbyville owns an interest shall be instituted and followed, and said program shall be subject to periodic review by the City of Shelbyville, or upon request.

The express termination terms proposed by the City in its original Resolution No. 100-74 were not included in the final Sales Tax Agreement.

On or about November 12, 1974, the City and County school boards entered into a lease agreement as required by the Sales Tax Agreement.⁴ Thereafter, the City paid the County the .75% increase in the local option sales and use tax as contemplated by the Sales Tax Agreement.

As relevant to the instant appeal, the money allocated for the schools listed in "Building Program B" have been expended, and the original bond debt incurred from the "Building Program B" was fully paid in 1999. All individuals involved in negotiating the Sales Tax Agreement on behalf of the parties are now deceased. However, the final chapter of "Building Program B" foreshadowed the rise of a new controversy, as the City began to intermittently express dissatisfaction with continuing to operate under the terms of the Sales Tax Agreement.

D. City Desire to End or Modify Sales Tax Agreement

⁴ An unexecuted copy of the lease agreement approved by the City Council and the School Board was included in a voluminous exhibit at trial. The lease agreement copy stated that the term of the lease "shall be for a period of twenty (20) years from" November 12, 1974 (i.e., November 12, 1994).

At a January 10, 2006 meeting of the County commissioners, there was a discussion concerning January 9, 2006 correspondence received by the County Mayor from the City manager, in which the City manager advised he had been asked by the City Council to draft a resolution authorizing a recommendation for legal counsel to represent the City “in regard to the validity of the [Sales Tax Agreement]”. At that time, a legal challenge did not materialize.

On April 13, 2006, the City passed a resolution which, among other things, declared its intent “to enter into discussions with the Bedford County Commission regarding the terms of a new agreement with Bedford County regarding its share of the 0.75.% component of the local option sales tax,” based on its belief that Resolution No. 103-74 was passed in violation Tennessee Code Annotated section 8-44-101, et seq. (the “Open Meetings Act”). Again, it does not appear from the record that legal action commenced at that time.

On March 1, 2022, the City manager sent the County Mayor a letter proposing to end the Sales Tax Agreement, effective July 1, 2022. However, the City did not cease its compliance with the Sales Tax Agreement on or immediately after July 1, 2022.

On May 12, 2023, the City sent a letter to the County Mayor and commission. Therein, the City proposed an amendment to the Sales Tax Agreement, whereby the City would reduce the tax payments made to the County by 25% per year for three years, after which the County would “continue to receive one-quarter (25%) of the City’s statutory share of the 1974 tax increase of 0.75% for a term of 20 years [or approximately \$500,000.00 per year as opposed to the approximately \$2,000,000.00 it received under the original Sales Tax Agreement].”⁵ The letter went on to explain the City’s position that the Sales Tax Agreement “is terminable at will by the City under current case law in Tennessee.” The City explained its reasoning as follows:

Given the fact that the \$10,500,000.00 Bond for new schools that was part of the 1974 plan of the Bedford County School Board has long passed and evidence from minutes that the City Council at that time intended for the relinquishment of its statutory share to be applied to the \$10,500,000.00 Bond, the City believes that the Contract would be determined to be either terminated or terminable at will upon proper notice. Council also believes that a two-year notice would be sufficient to allow Bedford County to find funds for replacement of the City’s statutory share.

⁵ The City’s proposal included designating its tax payments to the County “for debt payment on Cartwright Elementary School or other schools located within the City limits of the City of Shelbyville.” In early 2023, the County had broken ground on the new Cartwright Elementary School. The price of this school was approximately \$40,000,000.00, to be financed by bonds that would be paid off in the year 2039.

The City stated that, if the parties could not reach agreement, it would “move forward with action to terminate” the Sales Tax Agreement.

By letter dated September 27, 2023, the County’s attorney responded to the City’s May 12, 2023 letter, stating that the County’s position was that the City “has no right to terminate the Contract,” and the City’s offer to amend the Sales Tax Agreement was “entirely unacceptable.”

On November 16, 2023, the City voted to terminate the Sales Tax Agreement. On the following day, the City sent the County a letter giving notice that the City was terminating the Sales Tax Agreement, effective July 1, 2024. The letter went on to state that the City was still open to discussions about a new agreement to share sales tax proceeds, but it was prepared to move forward with an action to terminate the Sales Tax Agreement. On February 14, 2024, the County responded to the City’s letter and again stated its belief that the City could not terminate the Sales Tax Agreement.

On March 6, 2024, the City filed the instant Complaint for Declaratory Judgment against the County in the Bedford County Chancery Court (“trial court”). The parties filed cross-motions for summary judgment, which the trial court denied.

A bench trial was held on April 28, 2025, and the trial court issued a Final Order on May 7, 2025. In the Final Order, the trial court granted the City’s request for declaratory judgment in part and found that: (1) the City could terminate the Sales Tax Agreement after a “reasonable” time; and (2) a “reasonable” time for termination would be July 1, 2027. The County appeals.

II. Issues

The County raises the following issues for review as stated in its brief:

- III.** Did the trial court err in finding that the 1974 contract between Bedford County and Shelbyville is terminable after a “reasonable time” or upon “reasonable notice” because the Contract lacked a specific duration provision, when (A) Tennessee law provides that an agreement without a specified duration but with language indicating the conditions under which it is to continue is not terminable at will or upon reasonable notice, (B) the parties’ contract provides that Shelbyville’s “relinquish[ment]” of local option sales and use tax thereunder is “subject to” certain express conditions—some of which are ongoing—that Bedford County was required to satisfy, and (C) Shelbyville made no allegation that Bedford County failed to satisfy those enumerated conditions?

II. Alternatively, did the trial court err in finding that July 1, 2027 is a “reasonable” termination date for the parties’ contract when (A) Shelbyville did not notify Bedford County of its intent to terminate the parties’ contract until May 12, 2023, at the earliest, (B) prior to that time, Bedford County relied on the availability of the funds Shelbyville relinquished under the contract to incur public debt to undertake school building projects, including a \$40 million education expenditure to build Cartwright Elementary School within Shelbyville city limits, and (C) Bedford County will continue to pay off the debt for these projects, including the debt for Cartwright Elementary School, for many years after July 1, 2027?

III. Standard of Review

This case was tried by the court sitting without a jury. As such, our review of the trial court’s findings of fact is de novo on the record accompanied by a presumption of correctness, unless the preponderance of the evidence is otherwise. Tenn. R. App. P. 13(d); *Armbrister v. Armbrister*, 414 S.W.3d 685, 692 (Tenn. 2013). We review a trial court’s conclusions of law de novo, with no presumption of correctness. *Id.* at 692; *Rigsby v. Edmonds*, 395 S.W.3d 728, 734 (Tenn. Ct. App. 2012).

To the extent the issues raised in this appeal involve interpretation of the parties’ Sales Tax Agreement, the question of interpretation of a contract is a question of law. *Guiliano v. CLEO, Inc.*, 995 S.W.2d 88, 95 (Tenn. 1999). Therefore, the trial court’s interpretation of a contractual document is not entitled to a presumption of correctness on appeal. *Angus v. Western Heritage Ins. Co.*, 48 S.W.3d 728, 730 (Tenn. Ct. App. 2000). This Court must review the document and make its own determination regarding its meaning and legal import. *Hillsboro Plaza Enters. v. Moon*, 860 S.W.2d 45, 47 (Tenn. Ct. App. 1993).

IV. Analysis

A. The Sales Tax Agreement is Effective for a Reasonable Time and Terminable at Will with Reasonable Notice

1. Absence of Express Duration Term

Here, the parties’ agreement contains no specific termination date. It is well settled that “[w]here no provision is made in the contract for performance, a reasonable time is applied to all contracts.” *Minor v. Minor*, 863 S.W.2d 51, 55 (Tenn. Ct. App. 1993). As this Court has explained:

Courts may and will incorporate a reasonableness requirement into any contract. *Hurley v. Tenn. Farmers Mut. Ins. Co.*, 922 S.W.2d 887, 892 (Tenn. Ct. App. 1995) (holding that insurance company’s demand for

production of financial records and assertion that insured's failure to produce was a breach of the cooperation clause of the insurance contract could be considered unreasonable); *Moore v. Moore*, 603 S.W.2d 736, 739 (Tenn. Ct. App. 1980) (holding that "a qualifying word which maybe read into every contract is the word 'reasonable,' or its equivalent 'reasonably.'"). In fact, this court has stated that the qualifying word "reasonable" *must* be read into every contract. *Minor* [], 863 S.W.2d [at] 54 []; *see also Hathaway v. Hathaway*, 98 S.W.3d 675, 679 (Tenn. Ct. App. 2002) (reasonableness must be read into agreement).

Further, in construing contracts, courts must look at the language and the parties' intent and impose a construction that is fair and reasonable. *ACG, Inc. v. Southeast Elevator, Inc.* 912 S.W.2d 163 (Tenn. Ct. App. 1995). Reasonableness must be viewed in light of the parties' situation at the time of the making of the agreement as well as at the time performance becomes due. *Hathaway*, 98 S. W.3d at 680-81. The language of a contract should be construed with reference to the situation of the parties, the business to which the contract relates, the subject matter of the agreement, the circumstances surrounding the transaction, and the construction placed on the contract by the parties in carrying out its terms. *Penske Truck Leasing Co., L.P. v. Huddleston*, 795 S.W.2d 669, 671 (Tenn. 1990); *International Flight Center v. City of Murfreesboro*, 45 S.W.3d 565, 570 (Tenn. Ct. App. 2001). Similarly, when a court is called upon to supply a missing term with a reasonable one, it must consider the subject matter of the contract, the situation of the parties, their intention in what they contemplated at the time the contract was made, and the circumstances attending the performance. *Minor*, 863 S.W.2d at 54. The course of conduct of the parties is strong evidence of the parties' original intent. *Pinson & Associates v. Kreal*, 800 S.W.2d 486, 487 (Tenn. Ct. App. 1990).

Johnson v. Welch, No. M2002-00790-COA-R3-CV, 2004 WL 7385802, at *7 (Tenn. Ct. App. Feb. 9, 2004) (emphasis in original).

The *Johnson* Court further noted that

[a] contract is not invalid for indefiniteness for the mere reason that it does not specify how long performance should continue. If the surrounding circumstances do not indicate the parties' intentions, the court may hold that the contract will remain in effect for a reasonable time, or that the contract is terminable at will by either or both parties, or terminable on the occurrence of a specific event, or terminable by one of the parties only on condition of some act or forbearance by that party.

Johnson, 2004 WL 7385802, at *7 (quoting 5 Margaret N. Kniffin, Corbin on Contracts §

24.29 (rev. ed. 1998)). Furthermore, which of these approaches

is adopted by the courts depends . . . on the language of the agreement itself as well as the intent of the parties. Where the contract itself does not state its duration, courts have generally held that it should be effective for a reasonable time or terminable at will with reasonable notice. Where, however, the parties have indicated an intent that their contractual obligations last indefinitely until the occurrence of a particular event, many courts have concluded that the contracts are terminable only upon the occurrence of that event. Thus, where a contract does not include a termination date but does include the right to terminate upon the happening of specified circumstances, courts will generally interpret the contract as remaining in force until terminated for cause.

Id. (citations and footnote omitted). As set out in its final order, the trial court held that “the conditions [set out in the Sales Tax Agreement] are not indicative of the means of termination of the contract.” Thus, the trial court applied the “effective for a reasonable time or terminable at will with reasonable notice” approach.

Turning to the parties’ respective arguments, the City maintains that the Sales Tax Agreement was in effect for almost fifty years, even though the bonds from “Building Program B” were fully paid in 1999. Thus, the City asserts that the Sales Tax Agreement was terminable at will with reasonable notice. *Johnson*, 2004 WL 7385802, at *7 (“Where the contract itself does not state its duration, courts have generally held that it should be effective for a reasonable time or terminable at will with reasonable notice.”). Here, the City sent the County a letter on November 17, 2023, giving notice of its intent to terminate the Sales Tax Agreement effective July 1, 2024.

2. Effect of Contractual Conditions (a–e)

The County argues that the terms listed as “a” through “e” in the Sales Tax Agreement, *supra*, are conditions which the County satisfied, and continues to satisfy. Thus, the County contends that the Sales Tax Agreement is not terminable at will and should be held to continue until such time as the County violates any of the enumerated terms listed in “a” through “e”. The County also relies on the language in the Sales Tax Agreement indicating that the City “does hereby **relinquish**” the disputed sales tax amount. (Emphasis added). The County argues that “relinquish” should be read to denote the City’s agreement to give up the sales tax funds forever, not to be returned. The trial court rejected this argument, stating that, “The Court [] does not find the word ‘relinquished’ to mean as definite a term as the County contends. There is no proof to support this language alone means the City intended to give up these funds forever.”

Despite the trial court’s holdings, as set out in its appellate brief, the County argues

that it

agreed to take on the obligations set forth in the conditions [section of the Sales Tax Agreement, *i.e.* items “a” through “e”]. Some of those conditions could be fully satisfied at some point after the Contract was executed. Others—such as the obligation for the County to use the relinquished funds “solely and exclusively . . . for educational purposes” and the obligation that the County not “permit[] or allow[]” any “other municipality located within [the] County . . . , in whole or in part, to withhold any of their relinquishment of said sales and use tax” or refund any such tax to a municipality—are ongoing obligations that the County must continue to perform. Regardless, what the Contract says is that the City agreed to “relinquish”—or permanently give up—its portion of the tax if the County satisfies the agreed conditions.

Indeed, “parties may contract for an indefinite term whose duration is defined by the conduct of the parties as set out in the conditions agreed to for continuation or termination.” *Johnson*, 2004 WL 7385802, at *10 (citing *Zee Medical Distributor Association, Inc. v. Zee Medical, Inc.*, 94 Cal. Rptr. 2d 829, 833 (Cal. Ct. App. 2000)). “Accordingly, contracts stating that the obligations will continue ‘as long as’ or ‘so long as’ a party fulfilled specified obligations have been found valid and enforceable.” *Id.* (citations omitted). “In that situation, the contract is not terminable at will but, instead, is terminable for the causes set out therein.” *Id.*

Here, the parties’ Sales Tax Agreement does not contain language stating that the City will pay the sales tax funds “as long as” or “so long as” the conditions set out at sections “a” through “e” are met. Rather, the agreement states only that it is “subject to the following conditions.” The absence of specific language such as “as long as” or “so long as” distinguishes the contract at issue here from those at issue in certain cases the County relies upon in support of its argument concerning the effect of the conditions set out in the Sales Tax Agreement.

3. Comparison to Indefinite-Duration Precedent

For example, the County relies on the case of *Hamblen v. City of Morristown*, 584 S.W. 2d 673 (Tenn. Ct. App. 1979). In that case, Hamblen County agreed to finance construction of a new high school for the City of Morristown. *Id.* at 674. In the contract, Hamblen County agreed to lease land and a school building on that land to Morristown and expressly agreed to do so “**for such time and so long as** the same is used for educational purposes for city and county students.” *Id.* (Emphasis added).

Eleven years after the new school opened, Hamblen County sued for the right to take ownership from Morristown. *Id.* at 674-75. On appeal, Morristown argued the trial

court “erred in holding the contract void because it was in perpetuity.” *Id.* at 675. This Court rejected that argument, noting “The contract provides that the lease shall run ‘so long as . . . (the newly constructed high school) is used for educational purposes.’” *Id.* at 677. This Court concluded that such language, “although indefinite, is clearly not perpetual.” *Id.* However, no such language regarding the duration of the agreement is included in the Sales Tax Agreement at issue here. Thus, we agree with the trial court’s conclusion, as set out in its final order, that:

The *Hamblen* Court found the contract contained no durational term but the intentions of the parties was for the contract to be revocable for material breach by either party or by mutual agreement. This Court does not agree with the County this Contract should be treated in the same way. There is no proof suggesting the Agreement would be terminable upon material breach or mutual agreement, as in *Hamblen*.

The contract language in *Hamblen* is different than the language in the instant case, specifically *Hamblen’s* inclusion of the language “for such time and so long as. . .” The Court finds *Hamblen* does not support the idea this contract is interminable so long as the County continues to meet the conditions in the Agreement.

However, the County contends that the trial court’s ruling indicates its mistaken belief that the Sales Tax Agreement must contain the “magic” language “so long as” or “for such time” in order for the trial court to interpret it as terminable upon the County’s failure to comply with any of the “a” through “e” requirements set out therein. Because the County has undisputedly complied with those requirements, it contends that the Sales Tax Agreement is not terminable at will.

In support of its argument, the County cites *Warner-Lambert Pharmaceutical Co., Inc. v. John J. Reynolds, Inc.*, 178 F. Supp. 655 (S.D.N.Y. 1959), for the proposition that “the agreements at issue [in *Warner-Lambert Pharmaceutical*] were not terminable at will despite the absence of the ‘magic’ language[, *i.e.*, ‘for such time’ or ‘so long as’] the City claims is required.”

In *Warner-Lambert Pharmaceutical*, the manufacturer of Listerine agreed to pay royalties for the use of the Listerine formula to the inventor of the formula and his heirs. *Id.* at 659 (“[The manufacturer] hereby agrees and contracts for itself & assigns to pay to the said [inventor], his heirs, executors & assigns, six dollars on each & every gross of Listerine . . . manufactured or sold by the said [manufacturer].”). The manufacturer later attempted to negate its obligations by arguing, *inter alia*, that the contract was a “forbidden perpetuity.” *Id.* at 661 (internal quotation marks omitted).

The District Court disagreed, finding that “[c]ontracts which provide no fixed date for the termination of the promisor’s obligation but condition the obligation upon an event

which would necessarily terminate the contract” are not perpetual. *Id.* at 661-62. The District Court explained that the obligation of the manufacturer to pay the inventor was “conditioned upon the continued manufacture or sale of Listerine.” *Id.* at 662. Thus, the court concluded that the contract was not perpetual. *Id.* (“When they cease manufacturing or selling Listerine the condition for continued payment comes to an end and the obligation to pay terminates.”). However, unlike the parties in *Warner-Lambert Pharmaceutical*, the parties to this appeal have not conditioned their obligations “upon an event which would necessarily terminate the contract.”

Although there is no dispute that the County continues to comply with the conditions set out in the Sales Tax Agreement, the question is whether any of the stated conditions indicate an agreement concerning the requirements “for continuation or termination” of that agreement. *Johnson*, 2004 WL 7385802, at *10. In its final order, the trial court found that the conditions set out in the Sales Tax Agreement did not bear on the question of termination of the contract; rather, the trial court held that these conditions were germane to the formation of the parties’ contract, to-wit:

The Court does not find “the parties have agreed the duration of the contract will continue until specified circumstances exist.” The Court finds the conditions Bedford County refers to as “specified circumstances” concerned the time at which the contract was formed and not “for so long as” the contract remained in effect.

Rather, in examining contractual requirements “a” through “e”, the trial court concluded:

The first of five conditions at play in this case is an acceptable lease agreement with the County for Shelbyville school property. On November 12, 1974, the parties entered into a Lease-Purchase Agreement as required under the Agreement. Mayor Graham testified at trial there was no existing Shelbyville school property being maintained by Bedford County except the building housing the Bedford County School Board.

The second condition is all funds relinquished by Shelbyville should only be used for educational purposes. There is no allegation the funds have been used in any other manner. This section is the linchpin of the County’s argument it is still complying with the “conditions of the Agreement.”

The third condition is for no other municipality in the County to withhold their sales tax from the County and the County may not refund any sales tax to any other municipality. At this time, the parties agree no municipality has withheld funds pursuant to the agreement.

The fourth condition is for School Building Program B to be implemented and for the money allocated to be expended. The parties agree the sums of money allocated for the schools listed in “Building Program B” (as referred to in the [Sales Tax] Agreement) have been expended.

Finally, the fifth condition is for the repair and maintenance of all school buildings owned by Shelbyville. The only school building currently being maintained by Bedford County is an administrative office housing the Bedford County School Board.

(Citations omitted).

Based on the plain language employed by the parties in their Sales Tax Agreement (“b. All funds relinquished by the City of Shelbyville shall be used solely and exclusively by Bedford County for educational purposes”), we conclude that there is no language evidencing an intent for the City to pay the sales tax revenue until the County stops operating schools. The language at issue addresses the County’s use of the funds it receives from the City, not the duration of time the City shall be obligated to pay the County.

In arguing for the latter interpretation, the County urges us to find that the word “relinquish,” as used in the Sales Tax Agreement, means the City’s perpetual abandonment of future local option sales tax revenue to the County (as long as the County uses those funds for educational purposes). Insofar as the City has made, and makes, payments of this tax revenue to the County pursuant to the Sales Tax Agreement, those funds indeed are abandoned and surrendered to the County to be used for educational purposes. However, we disagree that, as used here, the word “relinquish” adds a durational term to a contract when the parties themselves elected not to include such term.

Unlike the *Warner-Lambert Pharmaceutical* case, the Sales Tax Agreement contains no language requiring the City to pay the County until “an event which would necessarily terminate the contract.” Although we concede that the agreement need not contain “magic” words, in interpreting the agreement, this Court, like the trial court, is required to give the words used in the contract their usual and ordinary meaning without expanding the contract beyond the parties’ intention. Here, again, the County’s argument would require us to include words not present in the existing contract. For example, if, as the County argues, the City was required to pay the sales tax revenue so long as the County operated schools in Bedford County or until such operation ceased, such language could have been included in the Sales Tax Agreement; it was not.

4. Application of Reasonable-Time / Reasonable-Notice Doctrine

In the absence of language specifying how long performance of the Sales Tax Agreement would continue, we conclude that the trial court did not err in holding that the agreement could be terminated on reasonable notice and after a reasonable time. *Johnson*, 2004 WL 7385802, at *7. The only remaining question is whether the trial court correctly determined that July 1, 2027, was a reasonable termination date for the Sales Tax Agreement. We now turn to that question.

As noted by the *Johnson* Court,

[r]easonable notice of termination flows from and must be determined in accordance with the standards of good faith and fair dealing implied in every contract. The determination concerning what constitutes reasonable notice, however, is a fact specific inquiry dependent upon the length of the contractual relationship between the parties, the reliance which either party placed upon the continuing vitality of the contractual relationship, and the particular business involved.

Johnson, 2004 WL 7385802, at *12; *see also Minor*, 863 S.W.2d at 55 (quoting 17A Am. Jur. 2d *Contracts* § 480 (1991)) (“What constitutes a reasonable time within which an act is to be performed where a contract is silent upon the subject depends on the subject matter of the contract, the situation of the parties, their intention in what they contemplated at the time the contract was made, and the circumstances attending the performance.”).

As noted above, in its November 17, 2023 letter to the County, the City advised it was terminating the Sales Tax Agreement effective July 1, 2024. However, the trial court gave the County an additional three years of sales tax revenue and set the termination date as July 1, 2027. As set out in its Final Order, the trial court reasoned:

The Court finds the City gave official notice of termination to Bedford County with a letter sent November 17, 2023. This letter set an effective date of July 1, 2024, providing the County approximately eight (8) months’ notice before the termination would occur. The County was on notice of the City’s position before this letter, as early as May 12, 2023 (which would be fourteen (14) months’ notice).

While the City discussed the issue of this sales tax for decades, no official action was taken until November 2023. There is little doubt the County relied on these funds (even though less than 5% of the School Board budget) considering the cost of the new [Cartwright Elementary School] building. In order to give the County time to make up this two-million-dollar shortfall, the Court finds this time constitutes reasonable notice and declares the Sales Tax Agreement terminable effective on July 1, 2027.

(Citations omitted).

The trial court’s determination regarding the termination date is a factual finding reviewed by this Court with a presumption of correctness. *Birkholz v. Hardy*, No. W2003-01539-COA-R3-CV, 2004 WL 1801736, at *7 (Tenn. Ct. App. Aug. 11, 2004). This means that we may not disturb the trial court’s findings unless we determine “that the aggregate weight of the evidence demonstrates that a finding of fact other than the one found by the trial court is more probably true.” *Nashville Ford Tractor, Inc. v. Great Am.*

Ins. Co., 194 S.W.3d 415, 425 (Tenn. Ct. App. 2005).

Turning to the record, as previously discussed, the parties entered into the Sales Tax Agreement for the purpose of paying for school improvements required by Building Program B. *Planters Gin Co. v. Fed. Compress & Warehouse Co., Inc.*, 78 S.W.3d 885, 890 (Tenn. 2002) (“The intent of the parties is presumed to be that specifically expressed in the body of the contract . . .”). Here, it is undisputed that Building Program B requirements were fulfilled in 1999. Thus, the purpose of the contract was completed more than twenty-five years before the trial court terminated it. Accordingly, the “intent of the parties” and their “reasonable contemplation and expectation” when they entered the contract has been long satisfied. See *Johnson*, 2004 WL 7385802, *11 (citations omitted).

City Councilman Henry Feldhaus testified at trial that he and County Mayor Brad Graham discussed termination of the Sales Tax Agreement a few months after Mayor Graham’s election in 2018. Councilman Feldhaus testified that he met with the Mayor to bring “him up to speed on the contract, that it’s [the City’s] position that the intent was the sales tax money should come back to the City after the payment of the school bonds[, which occurred in 1999].”

In addition to the conversations between Mayor Graham and Councilman Feldhaus, the record contains other communications between the City and County that occurred well before the City sent its termination letter on November 17, 2023. For example, Mayor Graham testified to his receipt of the City’s March 1, 2022 letter admitted as Trial Exhibit 9. The letter states, in relevant part, “[t]he purpose of those [sales tax] funds was to expedite the school building program for the children of Bedford County,” and that because the City had satisfied its obligation under the Agreement, the City “would like to effectively stop the allocation of [its] local options sales tax to Bedford County, effective 1 July 2022.”

Regardless of the foregoing communications, as the trial court noted in its Final Order, “[t]he County was on notice of the City’s position . . . as early as May 12, 2023.” As set out above, on May 12, 2023, the City sent a letter to the County, wherein it offered an alternative resolution, and proposed amending the Sales Tax Agreement to allow for a gradual decrease in the sales tax revenue relinquished to the County. The County responded to this letter on September 27, 2023, refusing the City’s suggestion.

From the foregoing, the purpose of the Sales Tax Agreement was satisfied in 1999. Based on discussions between Councilman Feldhaus and Mayor Graham, the County knew that the City was contemplating termination of the Sales Tax Agreement as early as 2018 or 2019. However, at the very latest, the County was on notice of the City’s intent in May of 2023. From our review, we cannot find error in the trial court’s ruling that the termination of the Sales Tax Agreement is effective July 1, 2027, as this date was nearly four years after the latest date that the County was on notice of the City’s intent to terminate (or modify) the Sales Tax Agreement. In short, “the aggregate weight of the evidence”

supports the July 1, 2027 termination date. *Nashville Ford Tractor, Inc. v. Great Am. Ins. Co.*, 194 S.W.3d 415, 425 (Tenn. Ct. App. 2005).

V. Conclusion

For the foregoing reasons, the trial court's order is affirmed. The case is remanded for such further proceedings as may be necessary and are consistent with this opinion. Costs of the appeal are assessed to the Appellant, Bedford County, Tennessee. Execution for costs may issue if necessary.

s/ Steven Maroney
STEVEN W. MARONEY, JUDGE