

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF AN AMOUNT NOT TO EXCEED TWENTY-TWO MILLION DOLLARS (\$22,000,000) PRINCIPAL AMOUNT OF THE CITY OF CHATTANOOGA, TENNESSEE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015B.

WHEREAS, the City Council desires at this time to sell an amount not to exceed \$22,000,000 principal amount of bonds (the “Bonds”) in order to (i) refinance certain maturities of the City’s outstanding General Obligation Bonds Series 2009 and General Obligation Bonds Series 2010A and (ii) to pay costs associated with the issuance of the 2015B Bonds.;

WHEREAS, in order to maximize debt service savings to the City, the City Council desires to delegate certain responsibilities to the Mayor and/or City Finance Officer relating to establishing certain terms of the Bonds and determining the method of sale of the Bonds. Such determinations by the Mayor and/or City Finance Officer will be subsequently set forth in a resolution adopted by the City Council; and

WHEREAS, the qualified electors of the City have not protested the issuance of the Bonds.

NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, TENNESSEE:

SECTION 1. That the refinancing of certain maturities of the City’s outstanding General Obligation Bonds Series 2009 and General Obligation Bonds Series 2010A (collectively, the “Refunded Bonds”) by the issuance of general obligation refunding bonds, provided that an aggregate present value debt service savings equal to at least 3.00 percent of the aggregate debt

service on the bonds to be refunded, is hereby authorized, and that the Mayor and/or City Finance Officer are hereby authorized to proceed herewith; that the specific maturities of the Refunded Bonds to be refunded and/or redeemed shall be determined by the Mayor and/or City Finance Officer and set forth in a supplemental resolution to be adopted by the City Council; and that it is necessary, advantageous, desirable and in the best interests of the City of Chattanooga (the “City”) and its residents that the Bonds be issued to refund, and finance the costs of accomplishing the refunding of, the Refunded Bonds.

SECTION 2. That the authority to appoint an Escrow Agent and Escrow Verification Agent in connection with any such refunding is hereby delegated to the Mayor and/or City Finance Officer.

SECTION 3. That the City hereby authorizes publication, in the name of the City, as soon as practicable after the date of delivery of the Bonds, a notice of redemption of the Refunded Bonds in accordance with the respective redemption provisions of the Refunded Bonds as set forth in the respective resolutions of the City authorizing the issuance of such bonds.

SECTION 4. That there be issued and sold Bonds of the City of Chattanooga, Tennessee, in the amount not to exceed \$22,000,000, to be known as “CITY OF CHATTANOOGA, TENNESSEE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015B”. The Bonds may be issued in one or more series. The Bonds shall be dated as determined by the Mayor and/or City Finance Officer and set forth in a supplemental resolution to be adopted by the City Council, shall be issued in registered form in the denomination of \$5,000 or any integral multiple thereof, and shall bear interest at a rate or rates not to exceed the rate or rates prescribed by law, said interest to be payable semiannually on the first days of the months as set forth in a supplemental resolution to be adopted by the City Council. Principal and

redemption price, if any, of and interest on the Bonds shall be payable in accordance with Section 11 hereof. The Bonds shall mature in the years and amounts as determined by the Mayor and/or City Finance Officer and as set forth in a subsequent resolution adopted by the City Council, described hereinafter.

The Bonds shall be subject to redemption prior to maturity as set forth in a supplemental resolution to be adopted by the City Council.

Notice of any call for redemption shall be given by mailing such notice, at least thirty (30) days prior to the date set for such redemption, to the registered owner of each Bond being so redeemed at his address, as shown on the registration books of the City (the "Registration Books") kept for that purpose at the office of the Paying Agent (as hereinafter defined). Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with the redemption price, if any, and interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

SECTION 5. The full faith and credit of the City is hereby irrevocably pledged to the payment of the principal and redemption price, if any, of and interest on the Bonds. The City hereby covenants and agrees with the owners of said Bonds that in each year in which any of the Bonds shall be outstanding, there will be levied and collected at the same time and in the same manner as other ad valorem taxes in the city are levied and collected, such ad valorem taxes upon all taxable property within the City in an amount sufficient to pay the principal and redemption price, if any, of and interest on the Bonds as they respectively become due and mature, and also in an amount sufficient to pay the principal and redemption price, if any, of and interest on all the other general obligation bonds and notes, or general indebtedness of the City heretofore or

hereafter issued as the same shall become due and mature, and also in an amount necessary for the current operation and all other municipal expenses of the City for such year.

SECTION 6. The Mayor and City Finance Officer are hereby authorized to determine if the Bonds shall be sold at a competitive public sale or at a private negotiated sale to take advantage of market conditions. Such determination of the method of sale shall be subsequently set forth in a resolution adopted by the City Council. Such sale shall be subject to the terms and conditions set forth in Section 19 of this Resolution.

SECTION 7. The proceeds derived from the sale of the Bonds shall be used for the purpose of paying the Refunded Bonds and the costs of issuance of the Bonds. The proceeds derived from the sale of the Bonds, exclusive of the costs of issuance (which issuance costs include, but are not limited to, Bond counsel fees, printing costs and insurance premium), shall be invested in accordance with the Escrow Agreement (as hereinafter defined) by the Escrow Agent (as hereinafter defined), and shall be disbursed only for the above purpose, in accordance with the terms and conditions of the Escrow Agreement, authorized by Section 21 of this Resolution.

SECTION 8. No Bond shall be secured by this Resolution or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless such Bond has been executed by the manual or facsimile signature of the Mayor, affixed with the corporate seal of the City, attested by the manual or facsimile signature of the City Finance Officer, and endorsed by a certificate of authentication by the City, as paying agent, or any successor paying agent (the "Paying Agent") substantially in the form prescribed in this Resolution, executed by the manual signature of a duly authorized officer of the Paying Agent. Such certificate on any Bond shall be conclusive

evidence, and the only competent evidence, that such Bond has been duly authenticated and delivered under this resolution.

SECTION 9. In the event any Bond is mutilated, lost, stolen or destroyed, the City shall execute and the Paying Agent shall authenticate a new Bond of like date, maturity and denomination to that mutilated, lost, stolen or destroyed Bond, provided that, in the case of any mutilated Bond such mutilated Bond shall first be surrendered to the City, and in the case of any lost, stolen or destroyed Bond, there shall be furnished to the City and the Paying Agent evidence of such loss, theft or destruction satisfactory to the City and the Paying Agent, together with an indemnity satisfactory to them. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the City may pay the same without surrender thereof making such requirements as it deems fit for its protection, including a lost instrument bond. The City and the Paying Agent may charge the owner of such Bond with its reasonable fees and expenses for such service.

SECTION 10. Upon the surrender to the Paying Agent of any mutilated Bond, or any Bond acquired, redeemed, or paid at maturity, the same shall forthwith be canceled. Bonds so canceled may at any time, and in accordance with law, be destroyed by the Paying Agent, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers, describing the Bonds as destroyed, and one executed certificate shall be filed with the City and the other executed certificate shall be retained by the City.

SECTION 11. The Bonds shall be payable, with respect to interest, principal and redemption price, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. The principal and redemption price of the Bonds shall be payable at the principal office of this Paying Agent. The

interest on the Bonds shall be payable by the Paying Agent by check or draft made payable to the registered owner of the Bonds on each interest payment date and mailed to the address of such owner as it shall appear on the Registration Books as of the close of business on the 15th business day of the calendar month immediately preceding such interest payment date (the “Record Date”).

SECTION 12. The City shall cause the Registration books for the registration and for the transfer of the Bonds as provided in this Resolution to be kept by the Paying Agent. The principal and redemption price, if any, of any Bond shall be payable only to or upon the order of the registered owner or his duly authorized legal representative. Upon surrender for transfer of any Bond at the principal office of the Paying Agent, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the City shall execute, and the Paying Agent shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same maturity or maturities and of authorized denomination for a like aggregate principal amount.

Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The City shall execute and the Paying Agent shall authenticate and deliver Bonds which the registered owner of any outstanding Bond or Bonds making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding. The execution by the City of any Bond or any authorized denomination shall constitute full and due authorization of such denomination, and the Paying Agent shall thereby be authorized to authenticate and deliver such Bond.

All Bonds surrendered in any such exchanges or transfers shall be canceled by the Paying Agent in the manner provided in Section 10 hereof. Neither the City nor the Paying Agent shall

be required (a) to transfer or exchange Bonds for a period beginning with any Record Date and ending on any interest payment date for such Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (b) to transfer or exchange Bonds called for redemption.

As to any Bond, the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal and redemption price, if any, or interest on any Bond shall be made only to or upon the written order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

There shall be no charge for any such exchange or transfer of Bonds, but the City or the Paying Agent may require payment of a sum sufficient to pay any tax, fee or other governmental charge required to be paid to such exchange or transfer.

SECTION 13. The Bonds and the Paying Agent's certificate of authentication shall be in substantially the following form:

UNITED STATES OF AMERICA

STATE OF TENNESSEE

NOTWITHSTANDING ANY PROVISION OF THE RESOLUTIONS REFERRED TO HEREIN TO THE CONTRARY, THE PRINCIPAL AMOUNT OUTSTANDING UNDER THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE PAYING AGENT. THE DEPOSITORY TRUST COMPANY (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE RESOLUTIONS, "DTC") OR A TRANSFEREE OR ASSIGNEE OR DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND TO BE PAID. THE PRINCIPAL AMOUNT OUTSTANDING AND TO BE PAID ON THIS BOND SHALL FOR ALL PURPOSES BE THE AMOUNT INDICATED ON THE BOOKS OF THE PAYING AGENT.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE PAYING AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA

STATE OF TENNESSEE

CITY OF CHATTANOOGA, TENNESSEE

CITY OF CHATTANOOGA, TENNESSEE

GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015B

Interest Rate	Maturity Date	Dated Date	CUSIP
	%		

KNOW ALL MEN BY THESE PRESENTS, that the City of Chattanooga, Tennessee, a duly organized municipal corporation (the “City”), acknowledges itself to owe, and for value received, promises to pay to the registered owner above, or registered assigns on the Maturity Date hereof (or earlier as herein after referred to) upon the presentation and surrender hereof at the principal office of the City, as Paying Agent or any successor Paying Agent (herein called the “Paying Agent”), the Principal Sum stated hereon in lawful money of the United States of America with interest on said principal sum payable semiannually on _____ 1 and _____ 1 in each year, commencing _____ at the Interest Rate per annum stated hereon from the Dated Date hereof, except as otherwise stated in the Resolutions (as hereinafter defined), until payment of said principal sum shall be discharged. Interest when due shall be payable by the Paying Agent, by check or draft mailed to the registered owner hereof on each interest payment date at his address as shown on the registration books of the City which shall be kept for that purpose at the principal office of the Paying Agent (the “Registration Books”), as of the close of business on the fifteenth business day of the calendar month immediately preceding each such interest payment date (the “Record Date”). Principal and redemption price, if any, of and interest on this Bond are payable in lawful money of the United States of America, and for

the prompt payment of this Bond and the interest thereon the full faith, credit and resources of the City of Chattanooga, Tennessee, are hereby irrevocably pledged.

This Bond is one of a duly authorized issue of bonds of the City designated City of Chattanooga, Tennessee General Obligation Refunding Bonds, Series 2015B, issued as fully registered bonds in any integral multiples of \$5,000, in the aggregate principal amount of \$_____ (the "Bonds") issued by the City pursuant to and in accordance with the provisions of Sections 9-21-101 to 9-21-1104, both inclusive, Tennessee Code Annotated, and pursuant to the resolutions adopted by the City Council of said City on ____ __, 20__ and ____ __, 20__ (collectively, the "Resolutions"), which Resolutions authorize the issuance of Bonds for the purpose of refunding certain of the City's outstanding general obligation bonds as set forth in Resolution No. [_____].

Reference is hereby made to the further provisions of this Bond set forth on the reverse side hereof and such further provisions shall for all purposes have the same effect as if set forth on the front side hereof.

It is further certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have been done, have happened, and have been performed in regular and due form, time and manner as required by law, and that the total indebtedness of the City of Chattanooga, Tennessee, including this Bond, does not exceed any statutory or constitutional limitation.

It is further provided by Section 9-21-117, Tennessee Code Annotated, that neither the principal nor the interest on this Bond shall be taxed by the State of Tennessee or by any County or Municipality thereof, except inheritance, transfer and estate taxes.

IN TESTIMONY WHEREOF, the City of Chattanooga, Tennessee, has caused this to be executed by the manual or facsimile signature of the Mayor in the name of the City and the corporate seal of said City or a facsimile thereof, to be affixed hereto, or engraved, imprinted or otherwise reproduced hereon, attested by the City Finance Officer of the City by such officer's manual or facsimile signature, this the ___ day of _____, 2015.

CITY OF CHATTANOOGA, TENNESSEE

Mayor

ATTEST:

City Finance Officer

FORM OF PAYING AGENT'S CERTIFICATE
OF AUTHENTICATION ON ALL BONDS

This Bond is one of the Bonds executed and delivered pursuant to the within mentioned Resolutions.

Paying Agent

By: _____
Authorized Officer

Date: _____

(Back of Bond)

The City has covenanted that in each fiscal year while any of the Bonds are outstanding, there will be levied and collected at the same time and in the same manner as other ad valorem taxes in said City are levied and collected, such ad valorem taxes upon all taxable property within the City of Chattanooga in an amount sufficient to pay the principal and redemption price, if any, of and interest on said Bonds as they respectively become due and mature, and also in an amount sufficient to pay the principal of and interest on all other bonds, notes, or general indebtedness of said City heretofore or hereafter issued as the same shall become due and mature, and also in an amount necessary for current operation and all other municipal expenses of said City for such fiscal year.

The Bonds maturing on or before _____, shall not be subject to redemption prior to maturity.

The Bonds maturing on or after _____, shall be subject to redemption prior to maturity on thirty (30) days' notice, at the option of the City as hereinafter provided, as a whole or in part (and by lot if less than all of a maturity is to be redeemed), at any time, on

_____ or at any time thereafter at the redemption price of par plus accrued interest to the date of redemption; provided however, that the Mayor and/or City Finance Officer may determine alternative redemption dates in order to increase marketability of the Bonds and maximize the City's debt service savings which shall be reflected in the Bond Purchase Agreement (as hereinafter defined) and subsequent Resolution adopted by the City Council.

Notice of any call for redemption shall be given by mailing such notice, at least thirty (30) days prior to the date set for such redemption, to the registered owner of each Bond being so redeemed at his address, as shown on the Registration Books of the City (the "Registration Books") kept for that purpose at the office of the Registrar and Paying Agent (as hereinafter defined). While The Depository Trust Company ("DTC") or its nominee is the registered owner of the Bonds, the City shall send the notice of redemption to DTC and the City shall not be responsible for mailing notices of redemption to participants in DTC or the beneficial owners of any Bonds. Any failure of DTC to mail such notice to any participant will not affect the sufficiency or the validity of the redemption of the Bonds. Notice of redemption have been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with the redemption price, if any, and interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

The City shall cause books for the registration and for the transfer of the Bonds as provided in the Resolution to be kept by the Paying Agent. This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing, at the principal office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond.

Upon such transfer a new Bond or Bonds of the same maturity or maturities and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. The City and the Paying Agent shall deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal, redemption price or interest due hereof and for all other purposes.

This Bond may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The City shall execute and the Paying Agent shall authenticate and deliver Bonds which the registered owner of any outstanding Bond or Bonds making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding.

There shall be no charge for any such exchange or transfer of Bonds, but the City or the Paying Agent may require payment of a sum, sufficient to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the City nor the Paying Agent shall be required to (a) to transfer or exchange Bonds for a period beginning on any Record Date and ending on any interest payment date on such Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (b) to transfer or exchange Bonds called for redemption.

This Bond shall not be entitled to any security, right or benefit under the Resolutions or be valid or obligatory for any purpose, unless the Certificate of Authentication hereon has been duly executed by the Paying Agent.

[End of Bond Form]

SECTION 14.

(a) The Bonds initially shall be issued in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered in the bond register in the name of the Nominee, as nominee of the Bond Depository. Except as provided below, all of the Outstanding Bonds shall be registered in the bond register in the name of the Nominee.

(b) With respect to the Bonds registered in the bond register in the name of the Nominee, the City and the Paying Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, the Nominee or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other Person, other than an owner as shown in the bond register, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Bond Depository and its Participants of the beneficial interests in the Bonds to be redeemed in the event the City redeems the Bonds in part or (iv) the payment to any Participant or any other person, other than an owner as shown in the bond register, of any amount with respect to principal of, Redemption Price, if any, or interest on, the Bonds. The City and the Paying Agent shall treat and consider the Person in whose name the Bonds is registered in the bond register as the holder and absolute owner of such Bonds for the purpose of payment of principal, Redemption Price, if any, and interest with respect to such Bonds, for the

purpose of giving notices of redemption and other matters with respect to such Bonds, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The City or the Paying Agent shall pay all principal of, Redemption Price, if any, and interest on, the Bonds only to or upon the order of the respective owner, as shown in the bond register, or the owner's respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, Redemption Price, if any, and interest on, the Bonds to the extent of the sum or sums so paid. No Person other than an owner, as shown on the bond register, shall receive a Bond evidencing the obligation of the City to make payment of principal, Redemption Price, if any, and interest pursuant to this Resolution. Upon delivery by the Bond Depository to the City of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Resolution shall refer to such nominee of the Bond Depository.

(c) Transfers Outside Book-Entry System. In the event the City determines that it is in the best interest of the City not to continue the book-entry system of transfer or that the interest of the holders of the Bonds might be adversely affected if the book-entry system of transfer is continued, the City may notify the Bond Depository, whereupon the Bond Depository will notify the Participants of the availability through the Bond Depository of bond certificates. In such event, the Bond Depository shall issue, transfer and exchange bond certificates in accordance with the provisions of the Resolution. In the event (i) the Bond Depository determines not to continue to act as securities depository for the Bonds, (ii) the Bond Depository shall no longer so act and gives notice to the City of such

determination, or (iii) the City determines that the Bond Depository is incapable of discharging its responsibilities, then the City will discontinue the book-entry system with the Bond Depository with respect to the Bonds. If the City determines to replace the Bond Depository with another qualified securities depository or establishes its own book-entry system, the City shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturities of the applicable Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee. If the City fails to identify another qualified securities depository to replace the Bond Depository, then the Bonds shall no longer be restricted to being registered in the bond register in the name of the Nominee, but shall be registered in whatever name or names owners transferring or exchanging Bonds shall designate, in accordance with the provisions of the Resolution.

(d) Payments to the Nominee. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of, Redemption Price, if any, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise agreed in writing with the Bond Depository.

(e) Initial Depository and Nominee. The initial Bond Depository under this Article IV shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

SECTION 15. The covenants and liens entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Bonds in any one or more of the following ways:

- (a) by paying the principal of and interest on the Bonds when the same shall become due and payable; or
- (b) by depositing in an account as the City may hereafter create and establish by resolutions moneys sufficient at the time of such deposit to pay the Bonds, the interest thereon and the redemption premium, if any, as the same become due on said Bonds on or prior to the redemption date or maturity date thereof; or
- (c) by depositing in such account as the City may hereafter create and establish by resolution moneys which when invested in Defeasance Obligations (as hereinafter defined), will provide moneys which shall be sufficient to pay the Bonds, the interest thereon and the redemption premium, if any, as the same shall become due on said Bonds on or prior to their redemption date or maturity date thereof.

As used herein, Defeasance Obligation shall mean to the extent permitted by laws:

- (i) Direct general obligations of, or obligations the payment of principal and interest on which is unconditionally guaranteed by, the United States of America;
- (ii) Evidences of indebtedness issued by any of the following: Bank for Cooperatives; Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (including participation certificates); Federal Land Banks; Federal Financing Banks; or any other agency or instrumentality of the United States of America created by an act of Congress which is substantially similar to the foregoing in its legal relationship to the United States of America;
- (iii) Evidences of ownership of proportionate interests in future interest and principal payments on specified obligations described in (i) held by a bank or trust company as custodian, under which the owner of the investment is the real party in

interest and has the right to proceed directly and individually against the obligor on the underlying obligations described in (i), and which underlying obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated;

(iv) Debt obligations, whether or not interest thereon is exempt from federal income taxes, which, at the time of deposit, are rated by either Moody's Investors Service Inc. ("Moody's") or Standard & Poors ("S&P") in either of the two highest long-term debt rating categories of such rating agency without regard to any refinement or gradation of such rating category by numerical modifier or otherwise; provided, that if any Bond being provided for is then rated by Moody's or S&P, the obligations deposited must be rated by each rating agency having a rating in effect on such Bonds in a rating category no lower than that in effect on such Bonds; and

(v) Obligations described in Section 103(a) of the Internal Revenue Code of 1986, as amended, provision for the payment of the principal of, premium, if any, and interest on which shall have been made by the irrevocable deposit with a bank or trust company acting as a trustee or escrow agent for holders of such obligations of securities described in clauses (i) or (ii) of this Section 16(c) the maturing principal of and interest on which, when due and payable, will provide sufficient moneys to pay when due the principal of, premium, if any, and interest on such obligations, and which securities described in clauses (i) or (ii) of this Section 16(c) are not available to satisfy any other claim, including any claim of the trustee or escrow agent or of any person claiming through the trustee or escrow agent or to whom the trustee or escrow agent may be

obligated, including in the event of the insolvency of the trustee or escrow agent or proceedings arising out of such insolvency.

Upon such payment or deposit in the amount and manner provided in this resolution, the Bonds shall no longer be deemed to be outstanding for the purposes of this Resolution and all liability of the City with respect to the Bonds shall cease and be completely discharged and extinguished, and the holders thereof shall be entitled for payment solely out of the moneys or Defeasance Obligations so deposited.

Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any series of Bonds, any portion of a series of Bonds, any maturity or maturities of a series of Bonds, any portion of a maturity of a series of Bonds, or any combination of the foregoing.

SECTION 16. The Mayor or the City Finance Officer are hereby authorized on behalf of the City to, or, in the alternative authorize any member or employee of Katten Muchin Rosenman LLP, submit subscriptions to any Federal Reserve Bank or Branch for the purchase of United States Treasury obligations – State and Local Government Series, in book entry form on the books of the Department of the Treasury, Bureau of Public Debt, or the direct obligations, the principal of and interest on which are fully and unconditionally guaranteed as to timely payment of principal and interest by, the United States of America, in such amounts, maturing at such times and bearing such rates of interest as shall be necessary (taking into account any moneys or other securities deposited with the trustee at the same time for such purpose) to pay when due the principal and Redemption Price (if any) of, and interest on, the Refunded Bonds; and to take such other action as he may deem necessary or appropriate to effectuate the submission of said subscriptions and the purchase of said securities.

SECTION 17. The Mayor and City Finance Officer are hereby authorized to execute such documents, instruments and papers, to open such bank accounts or custodian accounts, and do such acts as may be necessary or advisable in connection with the authorization, sale and issuance of, and security for, the Bonds and the refunding of the Refunded Bonds.

SECTION 18. That the City hereby authorizes that the Bonds may be sold at a competitive or, if the approval of the comptroller of the treasury or the comptroller's designee has been obtained pursuant to Section 9-21-910, Tennessee Code Annotated, negotiated sale, and that the Mayor and the City Finance Officer are hereby authorized to make such determination. Such sale shall be subject to the terms and conditions set forth in Sections 1 and 4 of this Resolution. In connection with a competitive sale, that the City hereby authorizes publication of a notice of sale relating to the sale of the Bonds soliciting proposals therefor, such notice may contain terms of the Bonds including maturities (not to exceed forty (40) years) maximum interest rates and redemption provisions all as determined by the Mayor and the City Finance Officer. That the Mayor be and is hereby authorized to receive proposals for the sale of the Bonds; and the City Council may make an award of same; subject, however, to the terms and provisions of Sections 9-21-101 to 9-21-1104, both inclusive, Tennessee Code Annotated; provided, that no award shall be made at a price less than ninety-eight percent (98%) of par and accrued interest. In connection with a negotiated sale of the Bonds, the Mayor and City Finance Officer are authorized to select one or more underwriters and to negotiate the terms of a bond purchase agreement (the "Bond Purchase Agreement") with such underwriters, the Bonds shall be sold to the underwriters named in the Bond Purchase Agreement (the "Underwriter), at the purchase price and on the terms and conditions set forth in such Bond Purchase Agreement, with the principal amount, interest rates and maturities as so determined by the Mayor and/or the City

Finance Officer subject to the limitations set forth in Sections 1 and 4 hereof. Any such Bond Purchase Agreement and the terms therein shall be approved in a supplemental resolution adopted by the City Council. The Mayor and City Finance Officer are hereby authorized on behalf of the City to execute said Bond Purchase Agreement and to deliver it to the Underwriter; and said officers and all other officers of the City are hereby authorized and directed to carry out or cause to be carried out all obligations of the City under said Bond Purchase Agreement and to take all action contemplated to be taken by the City pursuant to the terms of said Bond Purchase Agreement. The Mayor is hereby authorized to execute the Bonds on behalf of the City with his manual or facsimile signature, and the City Finance Officer to countersign the same with his manual or facsimile signature, attesting, and to affix, imprint or otherwise reproduce the Seal of the City on the Bonds, or a facsimile thereof. Thereupon, the Mayor of the City Finance Officer is hereby authorized to deliver the executed Bonds to the Underwriter upon the payment of the amount specified in the Bond Purchase Contract and Katten Muchin Rosenman LLP shall deliver the opinion approving the validity of said Bonds.

SECTION 19. The preparation of the Preliminary Official Statement of the City relating to the Bonds, and the distribution thereof to prospective purchasers of the Bonds is hereby approved.

An Official Statement, substantially in the form of the Preliminary Official Statement, together with such appropriate changes, insertions and omissions as may be approved by the Mayor, his signing of such Official Statement to be conclusive evidence of his approval of any such changes, insertions and omissions, and his execution and delivery of such Official Statement is hereby authorized.

If during the 25-day period after the date of delivery of and payment for the Bonds, any event known to the City relating to or affecting the City, this resolution, or the Bonds, shall occur which might affect the correctness or completeness of any statement of a material fact contained in the Official Statement, the City will promptly notify the Purchasers in writing of the circumstances and details of such event. If, as a result of such event or any other event, it is necessary, in the opinion of the Purchasers to amend or supplement the Official Statement by stating or restating any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, therein, not misleading, and the Purchasers shall have so advised the City, the City will forthwith prepare and furnish to the Purchasers a reasonable number of copies of an amendment of or a supplement to such Official Statement, in form and substance satisfactory to the Purchasers, which will so amend or supplement such Official Statement so that, as amended or supplemented, the Official Statement will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

SECTION 20. The Mayor and/or City Finance Officer are hereby authorized to select an Escrow Agent and determine the terms and conditions of an Escrow Deposit Agreement (the “Escrow Agreement”). The Escrow Agreement shall be approved in a supplemental resolution to be adopted by the City Council.

SECTION 21. The Mayor and City Finance Officer are hereby authorized and empowered to execute and deliver, or cause to be executed and delivered such other documents and opinions, and to do all such acts and things as may be necessary or desirable in connection

with the issuance, execution and delivery of the Bonds, the redemption of the Refunded Bonds, and the final Official Statement.

SECTION 22. The City covenants and agrees that it will provide the document and information to be delivered to a nationally recognized municipal securities information repository and annually thereafter no later than 270 days from the end of its fiscal year, established as a result of the Securities and Exchange Commissions adoption of the amendments to Rule 15c2-12 issued under the Securities and Exchange Act of 1934.

ADOPTED: _____

I, Nicole Gwyn, Clerk to the City Council, City Council of the City of Chattanooga, Tennessee, do hereby certify that the foregoing is a true, compared and correct copy of Resolution No _____, adopted by the City Council of the City of Chattanooga, Tennessee on _____.

Nicole Gwyn
Clerk to the City Council
City of Chattanooga, Tennessee,

WITNESS my hand and the Seal of the City of Chattanooga, Tennessee, this __ day of _____ 2015.



**STATE OF TENNESSEE
 COMPTROLLER OF THE TREASURY
 OFFICE OF STATE & LOCAL FINANCE
 SUITE 1600 JAMES K. POLK BUILDING
 505 DEADERICK STREET
 NASHVILLE, TENNESSEE 37243-1402
 PHONE (615) 401-7872 FAX (615) 741-5986**

September 3, 2015

Honorable Andy Berke, Mayor
 Members of the City Council
 City of Chattanooga
 101 East 11th Street, Suite 101
 Chattanooga, TN 37402

Dear Mayor Berke and Councilmen:

Please provide a copy of this report to each member of the City Council at the public meeting during which the report is reviewed and the proposed refunding bond resolution is presented. Additionally, this letter, report, and plan of refunding (the “Plan”), are to be posted on the City of Chattanooga’s (the “City’s”) website, if the City has a website.

This letter acknowledges receipt on August 28, 2015, of the City’s request to review its Plan for the issuance of a maximum \$19,355,000 General Obligation Refunding Bonds, Series 2015B (the “Refunding Bonds”) to advance refund by competitive sale \$19,500,000 of its general obligation debt described below (collectively, the “Refunded Bonds”):

Refunding Candidates	Outstanding Bonds		Average	Call Date	Par Value
	Amount		Coupon Rate		
General Obligation Bonds, Series 2009	\$ 18,160,000		4.000% - 4.625%	11/1/2018	100%
General Obligation Bonds, Series 2010A	\$ 1,340,000		4.000%	2/1/2018	100%

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

CITY’S PROPOSED REFUNDING OBJECTIVE

The City’s stated objective is to achieve net present value debt service savings.

BALLOON INDEBTEDNESS

Because the proposed indebtedness has a general obligation pledge and the City has some amount of long-term indebtedness outstanding that is rated AA+/Aa1 or better, the balloon indebtedness statute is not applicable to this debt issuance.

COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

FINANCIAL PROFESSIONALS

The City has indicated that Public Financial Management, Inc. ("PFM") is its financial advisor. Financial advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of their financial advisor.

MSRB Rule G-17

MSRB Rule G-17 requires underwriters and municipal advisors to deal fairly with the City in the conduct of its municipal securities or municipal advisory activities. MSRB Notice 2012-25 on the duties of underwriters to issuers of municipal securities was approved by the Securities and Exchange Commission on May 4, 2012. On August 2, 2012, this interpretive notice to MSRB Rule G-17 on fair dealing became part of federal securities law and underwriters are required to comply with its provisions.

These duties fall into three areas:

- statements and representations to issuers;
- disclosures to issuers; and
- financial aspects of underwriting transactions.

To learn more about the obligations of the City's underwriter (if applicable) and municipal advisor, please read the information posted on the MSRB website: www.msrb.org.

REPORT OF THE REVIEW OF A PLAN OF REFUNDING

The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.

This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the

information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.

We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.

MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) VOLUNTARY DISCLOSURE OF BANK LOANS

The Municipal Securities Rule Making Board (MSRB) released regulatory notices: MSRB Notice 2011-52, providing guidance on the use of “bank loans” that could be a private placement of municipal securities subject to specific regulatory requirements including disclosure; and MSRB Notice 2012-18, encouraging the voluntary disclosure of bank loan financings through the MSRB’s Electronic Municipal Market Access (EMMA®) website (emma.msrb.org). For more information see the preceding notices on the MSRB’s website (msrb.org). To learn how to submit disclosure see the link at the bottom of the EMMA website labeled Submit Documents or the Education Center of the MSRB’s website.

REPORT ON DEBT OBLIGATION

We are enclosing State Form CT-0253, Report on Debt Obligation. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five (45) days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by email to StateandLocalFinance.PublicDebtForm@cot.tn.gov or by mail to the address on this letterhead. No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. A fillable PDF of Form CT-0253 can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

If you should have any questions regarding this information, or we may be of further assistance, please feel free to call.

Sincerely,

A handwritten signature in blue ink that reads "Sandra Thompson". The signature is fluid and cursive, with the first name "Sandra" being larger and more prominent than the last name "Thompson".

Sandra Thompson
Director of the Office of State & Local Finance

Cc: Jim Arnette, Director of Local Government Audit, COT
Daisy Madison, City Finance Officer, City of Chattanooga
Vickie Haley, Deputy City Finance Officer, City of Chattanooga
Fredia Kitchen, Director of Management & Budget Analysis, City of Chattanooga
Lauren Lowe, Public Financial Management, Inc.

Enclosures: Report of the Director of the Office of State & Local Finance
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE
CONCERNING THE PROPOSED ISSUANCE
BY THE CITY OF CHATTANOOGA, TENNESSEE OF
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015B**

The City of Chattanooga (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of a maximum \$19,355,000 General Obligation Refunding Bonds, Series 2015B, (the "Refunding Bonds") to advance refund \$19,500,000 of the following outstanding indebtedness: \$18,160,000 General Obligation Bonds, Series 2009 and \$1,340,000 General Obligation Bonds, Series 2010A (collectively, the "Refunded Bonds") by competitive sale.

This report must be presented to the governing body prior to the adoption of a refunding bond resolution. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

BALLOON INDEBTEDNESS

Because the proposed indebtedness has a general obligation pledge and the City has some amount of long-term indebtedness outstanding that is rated AA+/Aa1 or better, the balloon indebtedness statute is not applicable to this debt issuance.

CITY'S PROPOSED REFUNDING OBJECTIVE

The City's stated objective is to achieve net present value savings on their debt service.

REFUNDING ANALYSIS

- The results of the refunding are based on the assumption that \$19,355,000 Refunding Bonds will be sold by competitive sale and priced at a premium of \$2,555,311. (See Attachment A, Table 1 for Sources and Uses.)
- The net present value savings are projected to be \$1,078,868, or 5.53% of the refunded bonds.
- The proposed average interest rate on the Refunding Bonds is 4.000% compared to the interest rates on the Refunded Bonds which range from 4.000% to 4.625%.
- Estimated cost of issuance of the Refunding Bonds is \$170,999 or \$8.83 per \$1,000 of the par amount. See Table 2 for individual costs of issuance.

The City has indicated that Public Financial Management, Inc. ("PFM") is its financial advisor. Financial advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of their financial advisor.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the

refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.



Sandra Thompson
Director of the Office of State and Local Finance
Date: September 3, 2015

Attachment A

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Table 1

**City of Chattanooga, Tennessee
General Obligation Refunding Bonds, Series 2015B**

Sources and Uses

Sources:

Bond Proceeds

Par Amount, Refunding of Series 2009	\$	18,065,000.00
Premium, Refunding of Series 2009	\$	2,383,829.00
Par Amount, Refunding of Series 2010A	\$	1,290,000.00
Premium, Refunding of Series 2010A		<u>171,482.45</u>
	\$	21,910,311.45

Uses:

Refunding Escrow Deposits

Cash Deposit	\$	0.96
SLGS Purchases		<u>21,734,391.00</u>
	\$	21,734,391.96

Delivery Date Expenses

Cost of Issuance	\$	74,223.29
Underwriter's Discount		<u>96,775.00</u>
	\$	170,998.29

Other Uses of Funds

Additional Proceeds	\$	<u>4,921.20</u>
	\$	21,910,311.45

.....

Table 2

**City of Chattanooga
General Obligation Refunding Bonds, Series 2015B**

Costs of Issuance of the Refunding Bonds

	Amount	\$1,000 Bond
Underwriter's Discount	\$ 96,775	\$ 5.00
Bond Counsel - Estimated	19,636	1.01
Financial Advisor - Estimated	17,672	0.91
Rating Agency	15,709	0.81
Other Costs	<u>21,207</u>	<u>1.10</u>
Total Cost of Issuance	\$ 170,999	\$ 8.83