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EXCERPTS FROM THE MINUTES OF THE MEETING
OF THE BOARD OF MAYOR AND ALDERMEN
OF THE TOWN OF MOUNT CARMEL, HAWKINS COUNTY, TENNESSEE
HELD ON JANUARY 14, 1988

The Board of Mayor and Aldermen of the Town of Mount Carmel, Hawkins County, Tennessee, met in special, public session at the Town Hall in Mount Carmel, Tennessee, its regular meeting place, at 7:15 o'clock p.m., local time, on the 14th day of January, 1988, the Honorable Gary Lawson presiding and the following named members of the Board of Mayor and Aldermen present:

Mayor Gary W. Lawson
Vice-Mayor Charles Fuller
Alderman Carl Newland
Alderman Johnny McClellan

Alderman Fred Arnold
Alderman Ronnie Davis
Alderman Mildred Ford

Absent:

Also present were Rita Jones, City Recorder, Steven C. Frazier, City Attorney, and the following named additional persons:

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(Other Business)

The following Resolution was introduced and read in full:

RESOLUTION NO. 3

RESOLUTION AUTHORIZING THE EXECUTION, TERMS, ISSUANCE, SALE AND PAYMENT OF SEWER REVENUE AND TAX BONDS, SERIES 1988, IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED THREE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$3,400,000), OF THE TOWN OF MOUNT CARMEL, TENNESSEE, AND PROVIDING THE DETAILS THEREOF.

WHEREAS, the Town of Mount Carmel, Hawkins County, Tennessee (the "Municipality"), is authorized by Title 9, Chapter 21, Parts 1 and 2, Tennessee Code Annotated, as amended, to issue and sell general obligation bonds for the purpose of financing the costs of constructing and equipping public works projects, including funds to finance the constructing and equipping of a municipal sanitary sewer collection system and wastewater treatment plant (the "Project"); the acquisition of all property real and personal appurtenant thereto or connected with such work; to retire short-term indebtedness the proceeds of which were used to pay a portion of the costs of construction of the Project; to pay legal, fiscal, administrative, and engineering costs incident thereto and costs incident to the issuance and sale

of the bonds including the costs of acquiring a municipal bond insurance policy;

WHEREAS, on January 14, 1988, the Board of Mayor and Aldermen of the Municipality (the "Board") adopted an "Initial Resolution Authorizing the Issuance of Not to Exceed \$3,400,000 Sewer Revenue and Tax Bonds, Series 1988 of the Town of Mount Carmel, Tennessee to Provide Funding for a Sewer Collection System and Wastewater Treatment Plant and the Incidental and Necessary Expenses Related Thereto" (the "Initial Resolution"), authorizing and directing, among other things, the issuance by the Municipality of its bonds for the purpose of financing the costs of the Project and the costs incident to issuance and sale of the bonds;

WHEREAS, the Initial Resolution authorized payment of the principal of, interest on, and the premium, if any, of the bonds from revenues of the Project and in the event such revenues are insufficient therefor from ad valorem taxes to be levied for such purpose on all taxable property within the corporate limits of the Municipality, without limitation as to rate or amount and irrevocably pledged for the punctual payment of the principal of, interest on, and premium if any, of the bonds, the full faith and credit of the Municipality;

WHEREAS, the City Recorder has been directed to publish a copy of the Initial Resolution and the notice required by Section 9-21-206, Tennessee Code Annotated, as amended, in the Kingsport Times News, a newspaper of general circulation within the Municipality;

WHEREAS, the Board finds that it is necessary and desirable to issue not to exceed \$3,400,000 Sewer Revenue and Tax Bonds, Series 1988, authorized by the Initial Resolution;

WHEREAS, it is now, therefore, necessary and desirable to provide for the execution, terms, issuance, sale, and payment of \$3,400,000 Sewer Revenue and Tax Bonds, Series 1988 (the "Bonds"):

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF MAYOR AND ALDERMEN OF THE TOWN OF MOUNT CARMEL, HAWKINS COUNTY, TENNESSEE, AS FOLLOWS:

Section 1. Authority. The Bonds herein authorized shall be issued pursuant to Title 9, Chapter 21, Parts 1 and 2, Tennessee Code Annotated, as amended, and other applicable provisions of law.

Section 2. Definitions. Without limiting any other definitions of terms and words in other sections of this Resolution, the following words and terms shall have the meanings indicated unless otherwise plainly apparent from the context:

(a) "Act" shall mean Title 9, Chapter 21, Parts 1 and 2, Tennessee Code Annotated, as amended.

(b) "Authorized Representative of the Municipality" means the then Mayor or the then City Recorder of the Municipality, authorized by resolution

of the Board of the Municipality to act on behalf of and bind the Municipality.

(c) "Board" means the Board of Mayor and Aldermen of the Town of Mount Carmel, Tennessee.

(d) "Bond", or "Bonds" means the \$3,400,000 Sewer Revenue and Tax Bonds, Series 1988, dated March 1, 1988 of the Municipality authorized to be issued by this Resolution of the Board.

(e) "Bondholder", "Owner", or any similar term, when used with reference to the Bonds, means any Person who shall be the registered owner of any then Outstanding Bond or Bonds.

(f) "Bond Counsel" means an attorney or firm of attorneys recognized as having experience in matters relating to the issuance of municipal obligations.

(g) "Bond Insurer" means that Person that issues the Municipal Bond Insurance Policy, if any, insuring the payment when due of the principal of and interest on the Bonds.

(h) "Bond Payment Date" means each date on which interest, or both principal and interest, shall be payable on any of the Bonds, according to their respective terms so long as any of the Bonds shall be Outstanding.

(i) "Closing Date" means the date of sale, delivery, and payment of the Bonds (or any temporary Bonds as authorized by Section 12 hereof pending the preparation and delivery of the definitive Bonds).

(j) "Code" means the United States Internal Revenue Code of 1986, as amended, and the applicable regulations of the United States Department of the Treasury promulgated thereunder.

(k) "Costs of Issuance" means any and all costs incurred and paid in connection with the authorization, issuance, and sale of the Bonds, including but not limited to, fees paid in connection with the initial offering and sale of the Bonds; out-of-pocket expenses incurred by the Municipality and fees and expenses of Bond Counsel; printing and engraving costs for the Bonds and the materials used in connection with the offering of the Bonds for sale; rating agency fees; initial Registration Agent fees; costs and expenses of the Bond Insurer and the Municipal Bond Insurance Policy; and other costs incidental to the sale of the Bonds.

(l) "Government Obligations" means: (1) direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; or (2) any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (ii) which are fully secured as to principal and

interest and redemption premium, if any, by a fund consisting only of cash or government obligations which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, (iii) which fund is sufficient, as verified by an independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this paragraph, as appropriate, and (iv) which are rated in the highest rating category of either Standard & Poor's Corporation or Moody's Investors Service, or any successors thereto.

(m) "Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds.

(n) "Net Revenues" means gross earnings of the System from all sources, after deduction of Current Expenses. "Current Expenses" shall include the reasonable and necessary cost of operating, maintaining, repairing and insuring the System, including salaries, wages, costs of material and supplies and insurance, but shall exclude depreciation.

(o) "Outstanding," "Bonds Outstanding," or "Outstanding Bonds" means, as of a particular date, all Bonds issued and delivered and authenticated under this Resolution except: (1) any Bond paid or redeemed or otherwise canceled by the Municipality at or before such date; (2) any Bond for the payment of which cash, equal to the principal amount thereof with interest to date of maturity, shall have theretofore been deposited prior to maturity by the Municipality for the benefit of the Owner thereof; (3) any Bond for the redemption of which cash, equal to the redemption price thereof with interest to the redemption date, shall have theretofore been deposited with the Paying Agent and for which notice of redemption shall have been mailed in accordance with this Bond Resolution; (4) any Bond in lieu of or in substitution for which another Bond shall have been delivered and authenticated pursuant to this Resolution, unless proof satisfactory to the Municipality is presented that any Bond, for which a Bond in lieu of or in substitution therefor shall have been delivered, is held by a bona fide purchaser, as that term is defined in Article 8 of the Uniform Commercial Code of the State, as amended, in which case both the Bond in lieu of or in substitution for which a new Bond has been delivered and such new Bond so delivered therefor shall be deemed Outstanding; and, (5) any Bond deemed paid under the provisions of Section 26 of this Resolution, except that any such Bond shall be considered Outstanding until the maturity thereof only for the purposes of being exchanged, transferred, or registered.

(p) "Person" means an individual, partnership, corporation, trust, or unincorporated organization, or a governmental entity or agency or political subdivision thereof.

(q) "Registration Agent" means First Tennessee Bank National Association, Memphis, Tennessee, or its successor, or successors hereafter appointed in the manner provided in this Resolution.

(r) "Resolution" means this Resolution, as supplemented and amended.

(s) "State" means the State of Tennessee.

(t) "System" means the complete sewer system of the Municipality together with, and including, the Project, and all sewer system properties of every nature hereafter owned by the Municipality, including all improvements and extensions made by the Municipality while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the sewer system, and including all appurtenances, contracts, leases, franchises, and other intangibles.

Section 3. Authorization. For the purpose of providing funds to finance the cost of constructing and equipping a municipal sewer collection system and wastewater treatment plant (the "Project"), including the acquisition of all property real and personal appurtenant thereto or connected with such work and to pay legal, fiscal, and administrative costs incident to the foregoing, the cost of procuring and maintaining in effect for the term of the Bonds the Municipal Bond Insurance Policy, and costs incident to the issuance and sale of the Bonds, there is hereby authorized to be issued bonds of the Municipality in the aggregate principal amount of not to exceed Three Million Four Hundred Thousand Dollars (\$3,400,000) or such lesser amount as approved by the Mayor of the Municipality subject to subsequent approval of the Board. No Bonds may be issued under the provisions of the Resolution except in accordance herewith.

Section 4. Form of Bonds; Execution. (a) The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof. All Bonds issued under this Resolution shall be substantially in the form set forth in Exhibit "A" attached hereto, and by this reference incorporated herein as fully as though copied, with such appropriate variations, omissions, and insertions as are permitted or required by this Resolution, the blanks therein to be appropriately completed when the Bonds are prepared, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto or as otherwise desired by the Municipality. The Bonds shall be numbered consecutively from one upwards.

(b) The Bonds shall be executed in such manner as may be prescribed by applicable law in the name, and on behalf, of the Municipality with the manual or facsimile signatures of the Mayor and the City Recorder, and with the official seal, or a facsimile thereof, of the Municipality impressed or imprinted thereon. The Bonds shall not be valid for any purpose unless authenticated by the manual signature of an officer of the Registration Agent on the certificate set forth on the Bonds.

(c) In the event any officer whose manual or facsimile signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such manual or such facsimile signature shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until such delivery. Any Bond may bear the facsimile signature of, or may be manually signed by, such individuals who, at the actual time of the execution of such Bond, were the proper officers of the Municipality to sign such Bond, although on the respective dates of the adoption by the Municipality of this Bond Resolution, such individuals may not have been such officers.

Section 5. Maturities, Interest Rates, and Certain Other Provisions of Bonds. (a) The Bonds shall be designated "Sewer Revenue and Tax Bonds, Series 1988". Each Bond shall be dated as of March 1, 1988; shall be sold at not less than ninety-eight percent (98%) par value thereof to be hereafter specifically determined by the Municipality; shall bear interest from the date thereof at a rate to be hereafter determined by the Municipality when said Bonds are sold, but not exceeding a net interest cost of eleven percent (11%) per annum, such interest being payable semi-annually on the first day of March and September of each year, commencing September 1, 1988; and, shall mature, subject to prior redemption as hereinafter provided, on the first day of March in the years and in the aggregate principal amounts set forth below; provided, however, that if a lesser aggregate principal amount is issued and sold, the final maturity shall be concurrently reduced:

<u>Due</u> <u>March 1</u>	<u>Principal</u>
1989	\$ 0
1990	45,000
1991	50,000
1992	55,000
1993	60,000
1994	65,000
1995	70,000
1996	80,000
1997	85,000
1998	95,000
1999	100,000
2000	110,000
2001	120,000
2002	130,000
2003	140,000
2004	150,000
2005	165,000
2006	175,000
2007	190,000
2008	205,000
2009	225,000
2010	240,000
2011	260,000
2012	280,000
2013	305,000
	<u>\$3,400,000</u>

In the event that any amount payable on any Bond as interest shall at any time exceed the rate of interest lawfully chargeable thereon under applicable law, then any such excess shall, to the extent of such excess, be applied against the principal of such Bond as a prepayment thereof without penalty, and such excess shall not be considered to be interest. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each.

The principal of, and the premium, if any, and all installments of interest on, any Bond shall bear interest from and after their respective due dates at a rate of interest equal to the rate of interest payable on the principal of such Bond.

(b) Interest on the Bonds shall be payable by check or other form of draft of the Registration Agent deposited by the Registration Agent in the United States mail, first class postage prepaid, in sealed envelopes, addressed to the Owners of such Bonds, as of the applicable Bond Payment Date, at their respective addresses as shown on the registration books of the Municipality maintained by the Registration Agent as of the close of business on the fifteenth (15th) day of the month next preceding the Bond Payment Date. The principal or redemption price, if any, of all Bonds shall be payable upon presentation and surrender of such Bonds at the principal corporate trust office of the Registration Agent. All payments of the principal of, premium, if any, and interest on, the Bonds shall be made in any coin or currency of the United States of America which, on the date of payment thereof, shall be legal tender for the payment of public and private debts.

Section 6. Redemption. (a) Bonds maturing March 1, 1990 through March 1, 1998, inclusive, are not subject to redemption prior to maturity. Bonds maturing after March 1, 1998 are subject to redemption prior to maturity as a whole, or in part in integral multiples of \$5,000 in inverse order of maturity (less than all Bonds of a single maturity to be selected by the Registration Agent) on March 1, 1998 and on any Bond Payment Date thereafter, at redemption prices (expressed as percentages of principal amount) in accordance with the following schedule plus accrued interest to the redemption date:

<u>Date of Redemption</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
March 1, 1998 and September 1, 1998	102%
March 1, 1999 and September 1, 1999	101%
March 1, 2000 and thereafter	100%

(b) Notice of intended redemption shall be given to the Owners of the Bonds to be redeemed by certified or registered mail, postage prepaid, at the addresses shown on the registration books kept by the Registration Agent. Notice of intended redemption shall be given not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption. Each such notice of redemption shall designate the date and place of redemption; shall specify the serial numbers and the aggregate principal amount of the Bonds to be so redeemed; and, shall also state that interest on the Bonds so

designated for redemption shall cease to accrue from and after the redemption date specified, provided sufficient funds are available on such redemption date to fully pay the redemption price of and interest on said Bonds. In addition notice of redemption of Bonds shall also be published once not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption in a financial newspaper published in New York, New York. Neither failure to mail any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds.

(c) If notice of redemption shall have been given in the manner and under the conditions provided herein and if on the date so designated for redemption the Registration Agent shall hold sufficient monies to pay the redemption price of, and interest to the redemption date on, the Bonds to be redeemed as provided in this Resolution, then: (a) the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date; (2) interest on the Bonds shall no longer be Outstanding or secured by, or be entitled to, the benefits of the Resolution, except to receive payment of the redemption price thereof and interest thereon from monies then held by the Registration Agent.

(d) If on the redemption date, monies for the redemption of all Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, shall not be held by the Registration Agent so as to be available therefor on such date, the Bonds or portions thereof so called for redemption shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of the Resolution.

(e) In case any Bond is of a denomination larger than Five Thousand Dollars (\$5,000), a portion of such Bond - Five Thousand Dollars (\$5,000) or any integral multiple thereof - may be redeemed, but Bonds shall be redeemed only in the principal amount of Five Thousand Dollars (\$5,000) or any integral multiple thereof. In selecting Bonds for redemption, the Registration Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by Five Thousand Dollars (\$5,000). If part but not all of a Bond shall be selected for redemption, the Owner thereof or his, her, or its legal representative shall present and surrender such Bond to the Registration Agent for payment of the principal amount thereof so called for redemption and the redemption premium, if any, on such principal amount thereof so called for redemption, and the Municipality shall execute and the Registration Agent shall authenticate and deliver to such Owner or legal representative, without charge therefor, for the unredeemed portion of the Bond surrendered, a Bond or Bonds of the same maturity, bearing the same interest rate, and of authorized denomination or denominations.

Section 7. Negotiability of Bonds. All Bonds issued under this Resolution shall be negotiable, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds.

Section 8. Registration Books and Registration Agent. (a) The Municipality hereby appoints First Tennessee Bank National Association, Memphis, Tennessee, as registration agent and paying agent (the "Registration Agent") with respect to the Bonds and authorizes the Registration Agent so long as any of the Bonds shall remain Outstanding, to maintain at the principal corporate trust office of the Registration Agent, books for the registration and transfer of the Bonds on behalf of the Municipality. The Registration Agent shall register in such books and permit to be transferred thereon, under such reasonable regulations as it may prescribe, any Bond entitled to registration or transfer and to authenticate and deliver the Bonds either at original issuance, upon transfer, or as otherwise directed by the Municipality. The Registration Agent is authorized to make all payments of principal, interest, and redemption premium, if any, with respect to the Bonds.

(b) The Registration Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by a written instrument of acceptance executed and delivered to the City Recorder prior to or on the Closing Date.

Section 9. Exchange of Bonds. Bonds upon surrender thereof at the principal corporate trust office of the Registration Agent, together with an assignment of such Bonds duly executed by the Owner thereof, or his, her, or its attorney or legal representative, may be exchanged for an equal aggregate principal amount of Bonds of the same maturity, of any denomination or denominations authorized by this Bond Resolution, and bearing interest at the same rate as the Bonds surrendered for exchange.

Section 10. Transfer of Bonds. (a) Each Bond shall be transferable only on the registration books maintained by the Registration Agent at the principal corporate trust office of the Registration Agent, upon the surrender for cancellation thereof at the principal corporate trust office of the Registration Agent, together with an assignment of such Bond duly executed by the Owner thereof or his, her, or its attorney or legal representative, and upon payment of the charges hereinafter provided, and subject to such other limitations and conditions as may be provided therein or herein. Upon the cancellation of any such Bond, the Registration Agent shall, in exchange for the surrendered Bond or Bonds, deliver in the name of the transferee or transferees a new Bond or Bonds of authorized denominations, of the same aggregate principal amount and maturity and rate of interest as such surrendered Bond or Bonds, and the transferee or transferees shall take such new Bond or Bonds subject to all of the conditions herein contained.

(b) The Municipality and the Registration Agent may deem and treat the Person in whose name any Bond shall be registered upon the registration books maintained by the Registration Agent as the absolute owner thereof, whether such Bond shall be overdue or not, for the purpose of receiving payment of the principal or redemption price of, and the interest on, such Bond and for all other purposes. All such payments so made to the registered Owner thereof shall be valid and effectual to satisfy and discharge the liability of the Municipality or the Registration Agent upon such Bond to the extent of the sum or sums so paid. Neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary.

Section 11. Regulations with Respect to Exchanges and Transfers. (a) In all cases in which the privilege of exchanging or transferring Bonds is exercised, the Municipality shall execute, and the Registration Agent shall deliver, Bonds in accordance with the provisions of this Resolution. For every exchange or transfer of Bonds, whether temporary or definitive, the Municipality and the Registration Agent may make a charge, unless otherwise herein to the contrary expressly provided, sufficient to pay for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer.

(b) Neither the Municipality nor the Registration Agent shall be obligated to exchange or transfer any Bond during the fifteen (15) calendar days next preceding a Bond Payment Date.

Section 12. Authorization and Preparation of Temporary Bonds. (a) Without unreasonable delay after the sale thereof, the Municipality shall cause definitive Bonds to be prepared, executed, and delivered to the purchaser or purchasers thereof, which Bonds shall be fully engraved (as that term is customarily used) or lithographed or printed on steel engraved borders, or, if acceptable to the purchaser or purchasers of such Bonds (such acceptance to be conclusively evidenced by the acceptance of such Bonds by such purchaser or purchasers), such definitive Bonds may be typewritten, printed, photocopied, or any combination of the foregoing. Until such definitive Bonds are ready for delivery, there may be executed and delivered by the Municipality, and upon the request of an Authorized Representative of the Municipality, the Registration Agent shall also authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, temporary typewritten, printed, engraved, lithographed, or photocopied Bonds, or Bonds having any combination of the foregoing, as prepared and executed by the Municipality, which temporary Bonds shall be substantially of the tenor of such definitive Bonds but with such appropriate omissions, insertions, and variations as may be required.

(b) Until definitive Bonds are ready for delivery, any temporary Bond may be exchanged at the principal corporate trust office of the Registration Agent, without charge to the Bondholder, for an equal aggregate principal amount of temporary Bonds of like tenor, of the same maturity and bearing interest at the same rate.

(c) When and after definitive Bonds are ready for delivery, the Registration Agent, upon surrender to the Registration Agent at the principal corporate trust office of the Registration Agent of a temporary Bond or Bonds, shall cancel such temporary Bond or Bonds and deliver in exchange therefor, without charge to such Bondholder, a definitive Bond or Bonds in an equal aggregate principal amount, and having the same maturity or maturities, interest rate or rates, and registration and redemption provisions as the temporary Bond or Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security of the Resolution as the definitive Bonds to be issued under such Resolution.

(d) Interest on temporary Bonds, when due and payable, if the definitive Bonds shall not be ready for exchange, shall be paid on

presentation of such temporary Bonds and notation of such payment shall be endorsed thereon.

(e) All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall forthwith be cancelled.

Section 13. Mutilated, Lost, Stolen, or Destroyed Bonds. (a) In the event any Bond is mutilated, lost, stolen, or destroyed, the Municipality may execute, and upon the request of an Authorized Representative of the Municipality the Registration Agent shall deliver, a new Bond of like maturity, interest rate, and principal amount, and bearing the same number (but with appropriate designation indicating that such new Bond is a replacement Bond) as the mutilated, destroyed, lost, or stolen Bond, in exchange for the mutilated Bond or in substitution for the Bond so destroyed, lost, or stolen. In every case of exchange or substitution, the Bondholder shall furnish to the Municipality and the Registration Agent: (1) such security or indemnity as may be required by them to save each of them harmless from all risks, however remote; and, (2) evidence to their satisfaction of the mutilation, destruction, loss, or theft of the subject Bond and the ownership thereof. Upon the issuance of any Bond upon such exchange or substitution, the Municipality and the Registration Agent may require the Owner thereof to pay a sum sufficient to defray any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including printing costs and counsel fees, of the Municipality and the Registration Agent. In the event any Bond which has matured or is about to mature shall become mutilated or be destroyed, lost, or stolen, the Municipality may, instead of issuing a Bond in exchange or substitution therefor, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Bond) if the Owner thereof shall pay all costs and expenses, including attorneys fees, incurred by the Municipality and the in connection therewith, as well as a sum sufficient to defray any tax or other governmental charge that may be imposed in relation thereto and shall furnish to the Municipality and the Registration Agent such security or indemnity as they may require to save them harmless and evidence to the satisfaction of the Municipality and the Registration Agent the mutilation, destruction, loss, or theft of such Bond and of the ownership thereof.

(b) Every Bond issued pursuant to the provisions of this Section shall constitute an additional contractual obligation of the Municipality (whether or not the destroyed, lost, or stolen Bond shall be found at any time to be enforceable) and shall be entitled to all the benefits of the Resolution equally and proportionately with any and all other Bonds duly issued under such Resolution.

(c) All Bonds shall be held and owned upon the express condition that the provisions of this Section are exclusive, with respect to the replacement or payment of mutilated, destroyed, lost, or stolen Bonds, and, to the maximum extent legally permissible, shall preclude all other rights or remedies, notwithstanding any law or statute now existing or hereafter enacted to the contrary.

Section 14. Authentication. Only such of the Bonds as shall have endorsed thereon a certificate of authentication, substantially in the form

set forth in Exhibit "A" hereto duly executed by the Registration Agent shall be entitled to the rights, benefits and security of the Resolution. No Bond shall be valid or obligatory for any purpose unless, and until, such certificate of authentication shall have been duly executed by the Registration Agent. Such executed certificate of authentication by the Registration Agent upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under the Resolution as of the date of authentication. The certificate of authentication of the Registration Agent on any Bond shall be deemed to have been duly executed if manually signed by an authorized officer of the Registration Agent, but it shall not be necessary that the same officer sign and date the certificate of authentication on all Bonds that may be issued hereunder.

Section 15. Payment. The principal of, redemption premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America, which is legal tender for the payment of public and private debts at the date of payment thereof, and such principal, redemption premium, if any, and interest shall be payable at the principal office of the Registration Agent.

Section 16. Source of Payment and Security. The Bonds, as to both principal and interest, shall be payable primarily from and be secured by a pledge of the Net Revenues to be derived from the operation of the System; and in the event of a deficiency in such Net Revenues, the Bonds shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. Said Bonds shall be a direct general obligation of the Municipality, for which the punctual payment of the principal of, redemption premium, if any, and interest on the Bonds, the full faith and credit of the Municipality is irrevocably pledged.

Section 17. Levy of Taxes. For the purpose of providing for the payment of the principal of, redemption premium, if any, and interest on the Bonds, there is hereby pledged for such payment the Net Revenues derived from the operation of the System, in amounts not exceeding the amounts required to make such payments as they come due. In the event of a deficiency in the Net Revenues there shall be levied in each year in which such Bonds shall be outstanding a direct tax on all taxable property in the Municipality, fully sufficient to pay all such principal and interest falling due prior to the time of collection of the next succeeding tax levy. Said tax shall be assessed, collected, and paid at the time, and in the same manner, as the other taxes of said Municipality, shall be in addition to all other taxes, and shall be without limitation as to time, rate, or amount, and for that purpose there is hereby levied a direct annual tax in such amount as may be found necessary each year to pay said principal of, redemption premium, if any, and interest on the Bonds maturing in said year; provided, however, that the tax so levied in any year may be proportionately reduced by the amount of money actually on hand from the Net Revenues of the System and available for payment of such principal interest, and premium, if any. Principal, redemption premium, if any, or interest, or all of them, falling due at any time when there shall be insufficient funds on hand from such tax levy for the payment thereof shall be paid from the general fund or other available funds of the

Municipality, but reimbursement therefor may be made from the taxes herein provided when the same shall have been collected.

Section 18. Equality of Lien. The punctual payment of principal of and interest on the Bonds shall be secured equally and ratably by the revenues of the System without priority by reason of number or time of sale or execution or delivery, and, subject to the payment of reasonable and necessary costs of operating and maintaining the System, the revenues of the System are hereby irrevocably pledged to the punctual payment of such principal and interest as the same become due.

Section 19. Additional Bonds. The Municipality will issue no other Bonds or obligations of any kind or nature payable from the revenues of the System which enjoy a lien upon such revenues prior to or on a parity with the Bonds herein authorized.

Section 20. Permitted Acts and Functions of Registration Agent. The Registration Agent may become the Owner of any Bonds, with the same rights as it would have if it were not a Registration Agent.

Section 21. Resignation or Removal of the Registration Agent and Appointment of Successors. (a) The Registration Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) calendar days' written notice to the City Recorder. The Registration Agent may be removed at any time by resolution of the Municipality filed with such Registration Agent. Any successor Registration Agent shall be appointed by resolution of the Municipality and shall be a trust company or a bank having the powers of a trust company, having a combined capital, surplus, and undivided profits aggregating at least Twenty Million Dollars (\$20,000,000), and willing to be able to accept the office of Registration Agent on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(b) In the event of the resignation or removal of the Registration Agent, such Registration Agent shall pay over, assign and deliver any monies held by it as Registration Agent, and all books and records held by it as Registration Agent, to its successor, or if there be no successor then appointed, to the City Recorder until such successor be appointed.

Section 22. Merger or Consolidation of Registration Agent. Any corporation or association into which the Registration Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole, or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation, or transfer to which it is a party shall be and become successor Registration Agent hereunder and shall be vested with all the trusts, powers, discretion, immunities, privileges, and other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed, or conveyance on the part of any of the parties hereto, anything herein contained to the contrary notwithstanding.

Section 23. Sale of Bonds. The Bonds shall be sold at public sale (the "Public Sale") in the manner provided by law, by the Municipality to the lowest and best bidder pursuant to advertised notice of such Public Sale. None of the Bonds shall be sold for less than ninety-eight percent (98%) of par, plus accrued interest to the date of delivery. Each bid shall be accompanied by a certified check payable to the City Recorder of the Town of Mount Carmel in the amount of two percent (2%) of the aggregate principal amount of the Bonds to be forfeited by the successful bidder to the Town of Mount Carmel as liquidated damages, in part, should the successful bidder fail to take up and pay for the Bonds when ready. The checks of the unsuccessful bidders shall be returned to them immediately after the sale. The good faith check of the bidder whose proposal is accepted will be held uncashed until the delivery of the Bonds or forfeiture. Furthermore, anything contained herein to the contrary notwithstanding, the Bonds shall not be sold at Public Sale unless the net interest cost thereon payable by the Municipality, as specified in the lowest and best bid submitted at such Public Sale, shall be equal to, or less than eleven percent (11%) per annum. The Mayor and the City Recorder are authorized to cause the Bonds to be authenticated and delivered to the successful bidder and to execute, publish, and deliver all certificates and documents, including an official statement and closing certificates, as they shall deem necessary in connection with the sale and delivery of the Bonds.

Notice of such Public Sale shall be published once, not less than five (5) days prior to the date of sale in a newspaper having a general circulation in the Town of Mount Carmel, Tennessee, and once in a financial newspaper published in New York, New York, and having a national circulation.

Section 24. Disposition of Bond Proceeds. The proceeds from the sale of the Bonds shall be paid to the official of the Municipality designated by law as the custodian of the funds thereof to be deposited in a special fund known as the "1988 Sewer Bond Fund" (the "Fund") to be kept separate and apart from all other funds of the Municipality. The monies in the Fund shall be disbursed solely to finance the Project, to retire short-term indebtedness the proceeds of which were used to pay a portion of the costs of construction of the Project, and to pay the costs of issuance of the bonds, including necessary legal, accounting, engineering, and fiscal expenses, printing, engraving, advertising and similar expense, administrative and clerical costs, fees and costs of the Municipal Bond Insurance Policy, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. All accrued interest from the proceeds of the sale of the Bonds shall be used to pay interest on the Bonds on the first Bond Payment Date following delivery of the Bonds. Money in the Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any. Money in the Fund shall be expended only for the purposes authorized by the Resolution. Any funds remaining in the Fund after completion of the Project, and payment of authorized expenses shall be transferred to the Municipality's Debt Service Fund and used to pay the principal of and interest on the Bonds.

Section 25. Payment Procedure Pursuant to Municipal Bond Insurance Policy.

(A) As long as the bond insurance, if obtained by the Municipality, shall be in full force and effect, the Municipality and the Registration Agent agree to comply with the following provisions:

(a) if prior to a Bond Payment Date within a time period agreed to by the Municipality and the Bond Insurer the Registration Agent determines that insufficient funds will be available to pay the principal of or interest on the Bonds on such Bond Payment Date, the Registration Agent shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both.

(b) the Registration Agent shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer, the registration books of the Municipality maintained by the Registration Agent, and all records relating to the funds of the Municipality held by the Registration Agent.

(c) the Registration Agent shall provide the Bond Insurer with a list of Owners of Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Municipal Bond Insurance Policy, and shall make arrangements (i) to mail checks or drafts to the Owners of Bonds entitled to receive full or partial interest payments from the Bond Insurer, and (ii) to pay principal upon Bonds surrendered to the Bond Insurer, its agent or trustee, by the Owners of Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Registration Agent shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify Owners of Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must tender their Bonds (along with a form of transfer of title thereto) for payment to the Bond Insurer, its agent or trustee, and not the Registration Agent, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must tender their Bonds for payment thereon first to the Registration Agent, who shall note on such Bonds the portion of the principal paid by the Registration Agent, and then, along with a form of transfer of title thereto, to the Bond Insurer, its agent or trustee, which will then pay the unpaid portion of principal.

(e) the Bond Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Registration Agent shall note the Bond Insurer's rights as subrogee on the registration books of the Municipality maintained by the Registration Agent upon receipt from the Bond Insurer of

proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal the Registration Agent shall note the Bond Insurer's rights as subrogee on the registration books of the Municipality maintained by the Registration Agent upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

Section 26. Defeasance of Bonds. (a) If the Municipality shall pay or cause to be paid to the Owners of all Outstanding Bonds the principal thereof, and the redemption premium, if any, and the interest thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of the full faith and credit of the Municipality and the unlimited taxing power of the Municipality, or any and all other rights granted or created under the Resolution for the benefit of the Owner of the Bonds so paid, shall be released, discharged, and satisfied. In such event, the Registration Agent shall pay or deliver to the City Recorder all monies or securities held by the Registration Agent pursuant to the Resolution which are not required for the payment or redemption of such Bonds not theretofore surrendered for such payment or redemption. If the Municipality shall not pay or cause to be paid, at the same time, all Bonds then Outstanding, then the Registration Agent shall not, except as may herein be otherwise expressly provided, return those monies and securities which are held under the Resolution for the benefit of the Owners of the Bonds then Outstanding not so paid or caused to be paid.

(b) Any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning of, and with the effect expressed in, subsection (a) of this Section if: (1) there shall have been set aside by the Municipality for the benefit of the Owner of such Outstanding Bond sufficient monies or Government Obligations, or a combination of both monies and Government Obligations, determined in accordance with subsection (c) of this Section, to pay the principal of, or redemption price, of the Bond when due, and all interest accruing on such Bond until the payment of such principal or redemption price; (2) in the event such Bond is to be redeemed prior to maturity in accordance with Section 6 hereof, all action required by the provisions of this Resolution to redeem all Outstanding bonds shall have been taken or provided for and any notice thereof in accordance with Section 6 hereof shall have been duly given or satisfactory provision shall have been made for the giving of such notice; (3) provision shall have been made for the payment of all fees and expenses of the Registration Agent with respect to the Bonds; and, (4) all other payments required to be made under the Resolution with respect to the Bonds shall have been made or satisfactory provision made therefor.

(c) For purposes of subsection (b) of this Section, sufficient monies shall be deemed to have been set aside by the Municipality to pay the principal of an Outstanding Bond when due, or to redeem such Outstanding Bond at the earliest possible redemption date thereof, and to pay, when due, all interest accruing on such Bond until the payment of such principal or redemption price, as applicable, only if there shall be on deposit with the Municipality or its designee, for the benefit of the Owner of such Bond, and available for such purposes, an amount of cash and/or aggregate principal amount of Government Obligations, maturing or redeemable at the option of the holder

thereof not later than the date or dates the proceeds of such Government Obligations are required for the principal, premium, if any, and interest payments hereinafter mentioned in this sentence, which, together with the income to be earned on such Government Obligations until the maturity date or the earliest possible redemption date, as applicable, of such Bond, shall be sufficient to pay, when and as due, the principal of, and the premium, if any, and interest on, such Bond prior to and on such maturity date or such earliest possible redemption date, as applicable.

(d) Upon the defeasance of any Outstanding Bond in accordance with this Section, the Municipality or its designee, as applicable, shall hold in trust, for the benefit of the Owner of such Bond all such cash or Government Obligations or combination of both cash and Government Obligations, and except as herein provided shall make no other or different investment of such cash or Government Obligations, or combination of both cash and Government Obligations, provided, subject to the provisions of Section 26(e) hereof, that amount in excess of those necessary to pay such Outstanding Bonds may be applied at the discretion of the Municipality.

(e) Anything herein contained to the contrary notwithstanding, no defeasance of the Bonds, or any thereof, shall be made unless, in the opinion of Bond Counsel, such defeasance would not cause the Bonds, or any thereof, to be "arbitrage bonds," or an "arbitrage bond," as applicable, within the meaning of applicable provisions of the Code or render the interest on the Bonds, or any thereof, subject to federal income taxation.

(f) In the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Bonds shall remain Outstanding, not be defeased and not be considered paid by the Municipality and the covenants, agreements, and other obligations of the Municipality to the registered owners shall continue to exist and the Bond Insurer shall be subrogated to the rights of such registered owners.

Section 27. Discharge of Pledge. Notwithstanding the fact that the pledge of the full faith and credit of the Municipality, and the unlimited taxing power of the Municipality created by the Resolution may have been discharged and canceled in accordance with Section 26 hereof, the Resolution and the rights granted and duties imposed hereby, to the extent not inconsistent with the fact that such pledge may have been discharged and canceled, shall nevertheless continue and subsist until the principal or redemption price of, and the interest on, all of the Bonds shall have been fully paid.

Section 28. Designation of Bonds as Qualified Tax-Exempt Obligations. The Municipality hereby designates the Bonds as "qualified tax-exempt obligations" within the meaning and for the purpose of Section 265(b)(3) of the Code subject to a certification of the Mayor that it is reasonably anticipated that the amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which will be issued during the calendar year by the Municipality as an issuer as defined in Section 265(b)(3) of the Code will not exceed \$10,000,000.

Section 29. Non-Arbitrage Certification. The Municipality certifies and covenants with the Owners of the Bonds that so long as the principal of any Bond remains unpaid, moneys on deposit in any fund or account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other source, will not be used in a manner which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986 (the "Code"), as amended, and any lawful regulations promulgated thereunder, as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Municipality reserves the right, however, to make any investment of such moneys permitted by Tennessee law and this Resolution if, when and to the extent that said Section 148 or regulations promulgated thereunder shall be repealed or relaxed or shall be held void by final decision of a court of competent jurisdiction, but only if any investment made by virtue of such repeal, relaxation or decision would not, in the opinion of counsel of recognized competence in such matters, result in making the interest on the Bonds subject to federal income taxation.

The aggregate face amount of all tax-exempt bonds (other than private activity bonds) as certified by the Mayor issued by the Municipality (and all subordinate entities thereof) during calendar year 1987 is not reasonably expected to exceed \$5,000,000. The Municipality covenants that it shall comply with Section 148(f) of the Code, unless legally exempted therefrom and it represents that in the event it shall be required by Section 148(f) of the Code to pay any excess nonpurpose investment earnings of the Bonds to the United States Government it will make such payments as and when required by said Section 148(f) and will take such other actions as shall be necessary or permitted to prevent the interest on the Bonds from becoming taxable. The Municipality further covenants that it will not take any action that will cause the interest on the Bonds to be subject to federal income taxation under Sections 103 and 141 through 150 of the Code.

Section 30. Resolution a Contract; Amendments. The provisions of this Resolution shall constitute a contract between the Municipality and the Owners of the Bonds, and after the issuance of the Bonds, no change, variation, or alteration of any kind in the provisions of this Resolution shall be made in any manner, until such time as all installments of the principal of and interest on the Bonds shall have been paid in full; provided, however, that the Municipality is hereby authorized to make such amendments to the Resolution as will not impair the rights of the Bondholders. The laws of the State of Tennessee shall govern this Resolution.

Section 31. No Action to be Taken Affecting Validity of the Bonds. The Board hereby covenants and agrees that it will not take any action, that would in any manner affect the validity of the Bonds or limit the rights and remedies of the Owners from time to time of such Bonds or affect the tax exempt status of the interest payable thereon.

Section 32. Miscellaneous Acts. The Mayor, the City Recorder, and all other appropriate officials of the Municipality are hereby authorized, empowered, and directed to do any and all such acts and things, and to execute, acknowledge, and deliver all such documents, instruments, and

certifications, specifically including but not limited to applying for municipal bond insurance, executing municipal bond insurance agreements, and making arbitrage certifications, in additions to those acts, things, documents, instruments, and certifications hereinbefore authorized and approved, as may in their discretion, be necessary or desirable to implement or comply with the intent of this Resolution; or any of the documents herein authorized and approved, or for the authorization, issuance, and delivery of the Bonds.

Section 33. Failure to Present Bonds. Subject to the provisions of Section 5 hereof, in the event any Bond shall not be presented for payment when the principal becomes due at maturity and in the event monies sufficient to pay such Bond shall be held by the Registration Agent for the benefit of the Owner thereof, all liability of the Municipality to such Owner for the payment of such Bond shall forthwith cease, determine, and be completely discharged. Thereupon, the Registration Agent shall hold such monies, without liability for interest thereon, for the benefit of the Owner of such Bond who shall thereafter be restricted exclusively to such monies for any claim under the Resolution or on, or with respect to, said Bond, subject to escheat or other similar law, and any applicable statute of limitation.

Section 34. Payments Due on Saturdays, Sundays, and Holidays. In any case where the date of maturity or interest on or principal of any Bond shall be a Saturday or Sunday or shall be, at the place designated for payment, a legal holiday or a day on which banking institutions similar to the Registration Agent are authorized by law to close, then the payment of the interest on, or the principal of such Bond need not be made on such date but must be made on the next succeeding day not a Saturday, Sunday, or a legal holiday or a day upon which banking institutions similar to the Registration Agent are authorized by law to close, with the same force and effect as if made on the date of maturity and no interest shall accrue for the period after such date.

Section 35. Approval of Official Statement. The form, content, and provisions of the Official Statement are hereby in all particulars approved and the lawful use thereof by the appropriate officials of the Municipality is hereby authorized.

Said Official Statement shall be in substantially the form on file in the office of the Mayor, or with such changes therein as shall be approved by the Mayor.

Section 36. No Recourse Under Resolution or on Bonds. All stipulations, promises, agreements, and obligations of the Municipality contained in the Initial Resolutions or this Resolution shall be deemed to be the stipulations, promises, agreements, and obligations of the Municipality and not of any officer, director, or employee of the Municipality in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Initial Resolutions or this Resolution against any officer, director, or employee of the Municipality or against any official or individual executing the Bonds.

Section 37. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason,

the invalidity or enforceability of such section, paragraph, or provision shall not affect any of the remaining provisions hereof.

Section 38. Repeal of Conflicting Resolutions and Effective Date. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed and this Resolution shall be in immediate effect from and after its adoption, the welfare of the Municipality requiring it.

Approved and adopted this 14th day of January, 1988.

Mary Lawson
Mayor

ATTEST:

Rita Jones
City Recorder

After full discussion, it was thereupon moved by Alderman Fred Arnold and seconded by Alderman Mildred Ford that said Resolution be adopted. Upon roll being called the following voted:

Aye: Mayor Gary Lawson
Vice-Mayor Charles Fuller
Alderman Carl Newland
Alderman Johnny McClellan
Nay:

Alderman Fred Arnold
Alderman Ronnie Davis
Alderman Mildred Ford

The Mayor thereupon declared said Resolution duly adopted and approved the same in open meeting.

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There being no further business, upon motion duly made, seconded, and unanimously adopted, the Board of Mayor and Aldermen of the Town of Mount Carmel, Tennessee, adjourned.

Mary Lawson
Mayor

ATTEST:

Rita Jones
City Recorder

STATE OF TENNESSEE
COUNTY OF HAWKINS

I, Rita Jones, hereby certify that I am the duly qualified and acting City Recorder of the Town of Mount Carmel, Tennessee (the "Municipality"), and, as such official, I further certify as follows: (1) that attached hereto is a copy of excerpts from the minutes of the meeting of the Board of Mayor and Aldermen of said Municipality held on January 14, 1988; (2) that I have compared said copy with the original minute record of said meeting in my official custody; (3) that said copy is a true, correct and complete transcript from said original record insofar as said original record relates to, among other matters, the authorization of the issuance of \$3,400,000 Sewer Revenue and Tax Bonds of said Municipality; (4) that the actions by said Board of Mayor and Aldermen including the aforementioned, at said meeting were promptly and duly recorded by me in a book kept for such purpose; and (5) that a quorum of the members of said Board of Mayor and Aldermen was present and acting throughout said meeting.

WITNESS my official signature and the seal of said Municipality this
14th day of January, 1988.



CITY RECORDER

(SEAL)

FORM OF BOND

EXHIBIT "A"

(FORM OF FACE OF BONDS)

Registered
NO. _____

Registered
\$ _____

UNITED STATES OF AMERICA
STATE OF TENNESSEE
COUNTY OF HAWKINS
TOWN OF MOUNT CARMEL
SEWER REVENUE AND TAX BOND, SERIES 1988

Interest Rate:	Maturity Date:	Dated Date:	CUSIP
Registered Owner:			Dollars
Principal Amount:			

THE TOWN OF MOUNT CARMEL (the "Municipality"), a lawfully organized and existing municipal corporation located in Hawkins County, Tennessee, for value received, hereby acknowledges itself indebted and promises to pay, as hereinafter set forth, in the manner hereinafter provided, to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above or earlier as hereinafter mentioned, upon the presentation and surrender hereof at the principal corporate trust office of First Tennessee Bank National Association, Memphis, Tennessee, or its successor as paying agent (the "Registration Agent"), the Principal Amount identified above, in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts, and to pay to said Registered Owner hereof by check or draft of the Registration Agent mailed to the Registered Owner on the Bond Payment Date at the address shown on the registration books of the Municipality on the fifteenth (15th) day of the month preceding the Bond Payment Date, as hereinafter provided, interest on said principal sum from the date hereof, or such later date as to which interest has been paid, semi-annually on March 1st and September 1st of each year, in like coin or currency at the Interest Rate per annum set forth above until payment of said principal sum.

In the event that any amount payable hereunder as interest shall at any time exceed the rate of interest lawfully chargeable on this bond under applicable law, any such excess shall, to the extent of such excess, be applied against the principal hereof as a prepayment thereof without penalty, and such excess shall not be considered to be interest. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each.

The principal hereof and all installments of interest hereon, shall bear interest from and after their respective due dates, whether by acceleration, demand, or otherwise) at the same rate of interest payable on the principal hereof.

Section 9-21-117, Tennessee Code Annotated, as amended, provides that this Bond and the income therefrom is exempt from taxation for state, county, and municipal purposes in the State of Tennessee. Other provisions of said Code indicate, however, that such exemption from taxation may not be available with respect to inheritance, estate, and transfer taxes and to certain corporate franchise and excise taxes.

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.

IN WITNESS WHEREOF, THE BOARD OF MAYOR AND ALDERMEN OF THE TOWN OF MOUNT CARMEL, TENNESSEE has caused this bond to be signed by the manual or facsimile signatures of the Mayor and the City Recorder and its official seal, or a facsimile thereof, to be impressed or imprinted hereon, all as of _____, 1988.

MAYOR

(S E A L)

COUNTERSIGNED:

CITY RECORDER

Date of Authentication:

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds described in and issued under the provisions of the within mentioned Resolution.

FIRST TENNESSEE BANK NATIONAL
ASSOCIATION, as Registration Agent

By: _____
Authorized Officer

FORM OF REVERSE SIDE OF BONDS

ADDITIONAL PROVISIONS

This bond is one of a series of bonds known as "Sewer Revenue and Tax Bonds, Series 1988" (the "Bonds"), issued by the Municipality in the aggregate principal amount of _____ Dollars (\$ _____), consisting of bonds maturing in annual installments on the first day of March in the years of 1990 through 2013, inclusive. The Bonds, which are issued for the purpose of financing the cost of constructing and equipping a municipal sanitary sewer collection system and wastewater treatment plant including the retirement of short-term indebtedness the proceeds of which were used to pay a portion of the costs of construction of the Project, the acquisition of all property real and personal appurtenant thereto or connected with such work, and to pay costs incident to the issuance and sale of the bonds are authorized by appropriate resolutions of the Board of Mayor and Aldermen and particularly that certain resolution of the Board of Mayor and Aldermen, adopted on January _____, 1988, entitled "Resolution Authorizing the Execution, Terms, Issuance, Sale and Payment of Sewer Revenue and Tax Bonds, Series 1988, in the Aggregate Principal Amount of Not to Exceed Three Million Four Hundred Thousand Dollars (\$3,400,000), of the Town of Mount Carmel, Tennessee, and Providing the Details Thereof", (the "Bond Resolution"), as such Resolution may be from time to time amended or supplemented in accordance with its terms and is issued pursuant to, and in full compliance with, the Constitution and the statutes of the State of Tennessee, including, but not limited to, Title 9, Chapter 21, Parts 1 and 2, Tennessee Code Annotated, as amended (the "Act"). Copies of said resolutions, including the Bond Resolution, are on file at the office of the City Recorder of the Municipality, and reference is hereby made to said resolutions, including the Bond Resolution and the Act, for a more complete statement of the terms and conditions upon which the Bonds are issued thereunder, the rights, duties, immunities, and obligations of the Municipality, and the rights of the registered owner hereof. This Bond and interest thereon are secured by a pledge of the income and revenues to be derived from the operation of the sewer system of the Municipality subject only to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring said system. In the event of a deficiency in such revenues, this bond is payable from ad valorem taxes to be levied on all taxable property in the Municipality without limitation as to time, rate, or amount. For the prompt payment of this Bond, both principal, premium, if any, and interest, as the same shall become due, the full faith and credit of the Municipality are hereby irrevocably pledged.

This bond is transferable by the Registered Owner hereof in person or by his, her, or its attorney or legal representative at the principal corporate trust office of the Registration Agent, but only in the manner and subject to the limitations and conditions provided in the Bond Resolution and upon surrender and cancellation of this bond. Upon any such transfer, the Municipality shall execute and the Registration Agent shall authenticate and deliver in exchange for this bond a new fully registered bond or bonds, registered in the name of the transferee, of authorized denominations, in an aggregate principal amount equal to the principal amount of this bond, of the same maturity and bearing interest at the same rate. For every exchange or

transfer of Bonds, whether temporary or definitive, the Municipality and the Registration Agent may make a charge, unless otherwise herein to the contrary expressly provided, sufficient to pay for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer, all of which taxes, fees, or other governmental charges shall be paid by the person or entity requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

The Municipality and the Registration Agent may deem and treat the person or entity in whose name this bond is registered as the absolute owner hereof, whether such bond shall be overdue or not, for the purpose of receiving payment of the principal of and interest on, this bond and for all other purposes. All such payments so made shall be valid and effectual to satisfy and discharge the liability upon this bond to the extent of the sum or sums so paid, and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary.

The Bonds are issuable only as fully registered Bonds, without coupons, in the denomination of Five Thousand Dollars (\$5,000) or any authorized integral multiple thereof. At the principal corporate trust office of the Registration Agent, in the manner and subject to the limitations, conditions, and charges provided in the Bond Resolution, fully registered Bonds may be exchanged for an equal aggregate principal amount of fully registered Bonds of the same maturity, of authorized denominations, and bearing interest at the same rate.

Bonds maturing March 1, 1990 through March 1, 1998, inclusive, are not subject to redemption prior to maturity. Bonds maturing after March 1, 1998 are subject to redemption prior to maturity as a whole, or in part in integral multiples of \$5,000 in inverse order of maturity (less than all Bonds of a single maturity to be selected by the Registration Agent) on March 1, 1998 and on any interest payment date thereafter, at redemption prices (expressed as percentages of principal amount) in accordance with the following schedule plus accrued interest to the redemption date:

<u>Date of Redemption</u> <u>(dates inclusive)</u>	<u>Redemption Price</u>
March 1, 1998 and September 1, 1998	102%
March 1, 1999 and September 1, 1999	101%
March 1, 2000 and thereafter	100%

Notice of intended redemption shall be given to the Owners of the Bonds to be redeemed by registered or certified mail at the addresses shown on the registration books kept by the Registration Agent. Notice of intended redemption shall be given not less than thirty (30) days, nor more than sixty (60) days prior to the date fixed for redemption.

This bond shall have all the qualities and incidents of, and shall be a negotiable instrument under, the Uniform Commercial Code of the State of Tennessee, subject only to provisions respecting registration of such bond.

It is hereby certified, recited, and declared that all acts and conditions required to be done and to exist precedent to, and in the issuance of, this bond in order to make this bond a legal, valid, and binding obligation of the Municipality, have been done, and did exist in due time and form as required by the Constitution and statutes of the State of Tennessee; that this bond and the issue of which it is a part, together with all other indebtedness of such Municipality, does not exceed any limitation prescribed by the Constitution or statutes of the State of Tennessee.

TEN COM-as tenants in common

JT TEN-as joint tenants with rights of survivorship and
not as tenants in common

Additional abbreviations may also be used though not in list above

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto _____ the within bond and does hereby irrevocably constitute and appoint _____, Attorney, to transfer the same bond on the books kept for registration thereof with full power of substitution in the premises.

Date:

Signature Guaranteed:

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges.

The Trustee will not effect transfer of this Bond unless the information concerning the Transferee requested below is provided.

Name and Address:

PLEASE INSERT SOCIAL SECURITY
OR OTHER IDENTIFYING NUMBER OF
ASSIGNEE.

(Include information for all joint owners if the Bonds are held by joint account.)

[END FORM OF BOND]