

A RESOLUTION OF THE Board of Mayor and Aldermen

OF THE Town of Mount Carmel, Tennessee

AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING A PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS

Sewer System

FACILITY TO SERVE AN AREA LAWFULLY WITHIN ITS JURISDICTION TO SERVE.

WHEREAS, it is necessary for the Town of Mount Carmel, Tennessee
(*Public Body*)

(herein after called Association) to raise a portion of the cost of such undertaking by issuance of its bonds in the principal amount of Three Hundred Thousand Dollars (\$300,000.00)

pursuant to the provisions of T.C.A. §§4-31-101 - 4-31-117, et seq. ; and

WHEREAS, the Association intends to obtain assistance from the Farmers Home Administration, United States Department of Agriculture, (herein called the Government) acting under the provisions of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) in the planning, financing, and supervision of such undertaking and the purchasing of bonds lawfully issued, in the event that no other acceptable purchaser for such bonds is found by the Association:

NOW THEREFORE, in consideration of the premises the Association hereby resolves:

1. To have prepared on its behalf and to adopt an ordinance or resolution for the issuance of its bonds containing such items and in such forms as are required by State statutes and as are agreeable and acceptable to the Government.
2. To refinance the unpaid balance, in whole or in part, of its bonds upon the request of the Government if at any time it shall appear to the Government that the Association is able to refinance its bonds by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).
3. To provide for, execute, and comply with Form FmHA 400-4, "Assurance Agreement," and Form FmHA 400-1, "Equal Opportunity Agreement," including an "Equal Opportunity Clause," which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.
4. To indemnify the Government for any payments made or losses suffered by the Government on behalf of the Association. Such indemnification shall be payable from the same source of funds pledged to pay the bonds or any other legal permissible source.
5. That upon default in the payments of any principal and accrued interest on the bonds or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan, the Government at its option may (a) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (b) for the account of the Association (payable from the source of funds pledged to pay the bonds or any other legally permissible source), incur and pay reasonable expenses for repair, maintenance, and operation of the facility and such other reasonable expenses as may be necessary to cure the cause of default, and/or (c) take possession of the facility, repair, maintain, and operate or rent it. Default under the provisions of this resolution or any instrument incident to the making or insuring of the loan may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the Association, and default under any such instrument may be construed by the Government to constitute default hereunder.
6. Not to sell, transfer, lease, or otherwise encumber the facility or any portion thereof, or interest therein, or permit others to do so, without the prior written consent of the Government.
7. Not to defease the bonds, or to borrow money, enter into any contract or agreement, or otherwise incur any liabilities for any purpose in connection with the facility (exclusive of normal maintenance) without the prior written consent of the Government if such undertaking would involve the source of funds pledged to pay the bonds.
8. To place the proceeds of the bonds on deposit in an account and in a manner approved by the Government. Funds may be deposited in institutions insured by the State or Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.
9. To comply with all applicable State and Federal laws and regulations and to continually operate and maintain the facility in good condition.
10. To provide for the receipt of adequate revenues to meet the requirements of debt service, operation and maintenance, and the establishment of adequate reserves. Revenue accumulated over and above that needed to pay operating and maintenance, debt service and reserves may only be retained or used to make prepayments on the loan. Revenue cannot be used to pay any expenses which are not directly incurred for the facility financed by FmHA. No free service or use of the facility will be permitted.

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11. To acquire and maintain such insurance and fidelity bond coverage as may be required by the Government.
12. To establish and maintain such books and records relating to the operation of the facility and its financial affairs and to provide for required audit thereof as required by the Government, to provide the Government a copy of each such audit without its request, and to forward to the Government such additional information and reports as it may from time to time require.
13. To provide the Government at all reasonable times access to all books and records relating to the facility and access to the property of the system so that the Government may ascertain that the Association is complying with the provisions hereof and of the instruments incident to the making or insuring of the loan.
14. That if the Government requires that a reserve account be established and maintained, disbursements from that account may be used when necessary for payments due on the bond if sufficient funds are not otherwise available. With the prior written approval of the Government, funds may be withdrawn for:
 - (a) Paying the cost of repairing or replacing any damage to the facility caused by catastrophe.
 - (b) Repairing or replacing short-lived assets.
 - (c) Making extensions or improvements to the facility.

Any time funds are disbursed from the reserve account, additional deposits will be required until the reserve account has reached the required funded level.

15. To provide adequate service to all persons within the service area who can feasibly and legally be served and to obtain FmHA's concurrence prior to refusing new or adequate services to such persons. Upon failure to provide services which are feasible and legal, such person shall have a direct right of action against the Association or public body.
16. To comply with the measures identified in the Government's environmental impact analysis for this facility for the purpose of avoiding or reducing the adverse environmental impacts of the facility's construction or operation.
17. To accept a grant in an amount not to exceed \$ -0-

under the terms offered by the Government: that the _____

and _____ of the Association are hereby authorized and empowered to take all action necessary or appropriate in the execution of all written instruments as may be required in regard to or as evidence of such grant; and to operate the facility under the terms offered in said grant agreement(s).

The provisions hereof and the provisions of all instruments incident to the making or the insuring of the loan, unless otherwise specifically provided by the terms of such instrument, shall be binding upon the Association as long as the bonds are held or insured by the Government or assignee. The provisions of sections 6 through 17 hereof may be provided for in more specific detail in the bond resolution or ordinance; to the extent that the provisions contained in such bond resolution or ordinance should be found to be inconsistent with the provisions hereof, these provisions shall be construed as controlling between the Association and the Government or assignee.

The vote was: Yeas 7 Nays 0 Absent _____

IN WITNESS WHEREOF, the Board of Mayor and Aldermen _____ of the _____

Town of Mount Carmel, Tennessee _____ has duly adopted this resolution and caused it

to be executed by the officers below in duplicate on this 28 day of January, 1993.

(SEAL)

Attest:

Title

James B. Carter
City Recorder

By James B. Carter
Title Mayor

CERTIFICATION TO BE EXECUTED AT LOAN CLOSING

I, the undersigned, as _____ of the _____ hereby certify that the _____ of such Association is composed of _____ members, of whom _____, constituting a quorum, were present at a meeting thereof duly called and held on the _____ day of _____, 19____; and that the foregoing resolution was adopted at such meeting by the vote shown above. I further certify that as of _____, the date of closing of the loan from the Farmers Home Administration, said resolution remains in effect and has not been rescinded or amended in any way.

Dated, this _____ day of _____, 19____.

Title _____

*U.S.GPO:1990-O-717-014/22548

The Board of Mayor and Aldermen of Mount Carmel, Tennessee, met in a called session on January 14, 1993, pursuant to a notice duly given and published in substantially the following form:

A called session of the Board of Mayor and Aldermen of Mount Carmel, Tennessee, will be held at 7:15 o'clock, p.M. on the 14th day of January, 1993, at City Hall, Mount Carmel, Tennessee.

The purpose of this meeting is to approve a resolution authorizing a \$610,000 Sewer Revenue and Tax Bond, Series 1993 of said municipality, and to take such other action with respect to the authorization and issuance of such bond as may be deemed appropriate.

Jim Dean, Mayor

We hereby acknowledge that we have received notice of a called session of the Board of Mayor and Aldermen to be held on January 14, 1993, and acknowledge its validity as to the legality and reasonableness of notice, and otherwise, and by our signatures accept such notice and agree to transact the business therein described, on this 14th day of

January, 1993.
James Dean
James Dean
James Edmonds
James Edmonds
James Evans
James Evans
Wanda Joyner
Wanda Joyner

Mildred Ford
Mildred Ford
Al Keesling, Jr.
Al Keesling, Jr.
Howard Vaughn
Howard Vaughn

It was announced that public notice of the time, place, and purpose of the meeting had been given and accordingly, the meeting was called to order by the Mayor. There were present:

James Dean	Wanda Joyner
James Edmonds	Mildred Ford
James Evans	Al Keisling, Jr.

There were absent:

Howard Vaughn

Rita Jones, Recorder, was also present.

The following resolution was unanimously adopted:

BE IT RESOLVED that the offer of the Farmers Home Administration to purchase the municipality's \$610,000 Sewer Revenue and Tax Bond, Series 1993 at par and at an interest rate not to exceed six and three-eighths percent (6.375%) per annum pursuant to the Loan Agreement with such agency is hereby accepted.

The following resolution was introduced by _____
Al Keisling, Jr., seconded by James Evans and after due deliberation, was adopted by the following vote:

AYE:

James Dean	Wanda Joyner
James Edmonds	Al Keisling, Jr.
James Evans	

NAY:
None

ABSTENTION:

Mildred Ford

RESOLUTION NO. 84

A RESOLUTION AUTHORIZING THE ISSUANCE OF A SIX HUNDRED TEN THOUSAND DOLLAR (\$610,000) SEWER REVENUE AND TAX BOND, SERIES 1993 OF MOUNT CARMEL, TENNESSEE; PROVIDING FOR THE COLLECTION AND DISPOSITION OF THE REVENUES FROM THE SEWER SYSTEM; AND MAKING PROVISION FOR THE OPERATION OF SAID SYSTEM, THE ISSUANCE AND SALE OF SAID BOND; THE LEVY OF TAX UNDER CERTAIN CONDITIONS; AND PROVIDING DETAILS RELATING TO THE ISSUANCE OF BOND ANTICIPATION NOTES.

WHEREAS, Mount Carmel is duly incorporated pursuant to T.C.A. Sections 6-1-101 et seq., with its Charter of record in Corporation Record Book Volume 0-24, page 78, Tennessee Secretary of State's Office; and

WHEREAS, it is necessary and advisable to authorize the issuance of a revenue and tax deficiency bond of the municipality for the purpose of obtaining funds to aid in financing the construction of improvements and extensions to its sewer system.

WHEREAS, the Board of Mayor and Aldermen of Mount Carmel, Tennessee did on September 24, 1992, adopt an Initial Resolution authorizing the bond; and

WHEREAS, no proceedings or petitions have been threatened or instituted opposing or contesting the validity of the proposed bond since the adoption and publication of the Initial Resolution authorizing the bond, all as required by law; and

WHEREAS, public notice has been given as and when required by law of the time, place and purpose of this meeting, the amount, the maximum interest rate, purpose and maximum annual

debt service requirements of the bond authorized herein, and the fact that the bond shall be secured by the taxing power of the municipality; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of Mount Carmel, Tennessee, as follows:

Section 1. Authority. The bond authorized by this resolution is issued pursuant to Sections 9-21-101, et seq., Tennessee Code Annotated, and other applicable provisions of law.

Section 2. Definitions. The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

(a) "the Bond" shall mean the \$610,000 Sewer Revenue and Tax Bond, Series 1993 of the Municipality, authorized to be issued by this resolution;

(b) "Current Expenses" shall mean expenses incurred by the Municipality in the operation of the System, determined in accordance with generally accepted accounting principles, including the reasonable and necessary cost of operating, maintaining, repairing and insuring the System, including the cost of salaries, wages, cost of material and supplies and insurance premiums, but shall exclude depreciation, payments of principal, premium and interest when due with respect to all bonds, notes or other obligations of the Municipality, and payments into the Reserve Fund;

(c) "Fiscal Year" shall mean the twelve months' period beginning on July 1 of each year and ending on June 30 of the following year;

(d) "the Governing Body" shall mean the Board of Mayor and Aldermen of the Municipality;

(e) "the Government" shall mean Farmers Home Administration, United States Department of Agriculture;

(f) "Gross Earnings" shall mean all revenues, rentals, earnings and income of the Municipality from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by this resolution and resolutions authorizing any Prior Lien Bonds, Parity Bonds or subordinate lien bonds;

(g) "the Municipality" shall mean Mount Carmel, Tennessee;

(h) "Net Revenues" shall mean Gross Earnings of the System from all sources after deduction of Current Expenses;

(i) "the Operation and Maintenance Fund" shall mean the Operation and Maintenance Fund established pursuant to Section 6 hereof if no such fund exists on the date of the delivery of the Bond;

(j) "the Original Purchaser" shall mean the purchaser of the Bond as specified in Section 11 hereof;

(k) "Parity Bonds" shall mean bonds issued on a parity with the Bond herein authorized in accordance with the restrictive provisions of Section 10 hereof;

(l) "Prior Lien Bonds" shall mean the Municipality's outstanding Sewer Revenue and Tax Bonds, Series 1988, dated May 1, 1988; and its TLDA bonds issued on June 25, 1991;

(m) "the Project" shall mean the improvements and extensions to the System which are to be constructed in part from the proceeds of the sale of the Bond in accordance with an engineering report and plans and specifications dated May 15, 1992 and prepared by Vaughn & Melton, Greeneville, Tennessee, (herein sometimes called "the Consulting Engineers"); and

(n) "the Reserve Fund" shall mean the Debt Service Fund established pursuant to Section 6 hereof;

(o) "the Revenue Fund" shall mean the Municipality's general revenue fund described in Section 6 hereof;

(p) "the System" shall mean the complete sewer system of the Municipality together with, and including, the Project, and all sewer properties of every nature hereafter owned by the Municipality, including all improvements and extensions made by the Municipality while the Bond or Parity 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 and Terms of the Bond. For the purpose of procuring funds to pay part of the cost of constructing the Project, including the payment of legal, fiscal and engineering costs incident thereto, and interest during construction of the Project and for six (6) months thereafter, there is hereby authorized to be issued a revenue and tax deficiency bond of the Municipality in the principal amount of not to exceed \$610,000. The Bond shall be in the form of a fully registered installment bond, without coupons, shall be known as "Sewer Revenue and Tax Bond, Series 1993," and shall be dated as of the date of delivery thereof. The Bond shall bear interest at a rate not to exceed six and three-eighths percent (6.375%) per annum and shall be payable in four hundred fifty-six (456) equal consecutive monthly installments of principal and interest in an amount sufficient to fully amortize the Bond in equal consecutive monthly installments over the period of such installments. The annual principal and interest payment of the Bond at the maximum interest rate of six and three-eighths percent (6.375%) per annum is \$42,750. The first installment of principal and interest shall be due and payable one (1) calendar month following the date of the Bond, unless the Bond is dated on a day after the twenty-eighth (28th) day of the month, in which event the first installment shall be due and payable on the twenty-eighth (28th)

day of the next calendar month following the date of the Bond, and all subsequent installments shall be due and payable on the same day of each month thereafter. In all events, the final, four hundred fifty-sixth (456th) installment shall be in the amount of the entire unpaid balance of principal and interest on the Bond. All payments in respect of the Bond, principal and interest, shall be made directly to the registered owner at its address shown on the Bond registration records of the Municipality, without, except for final payment, the presentation or surrender of such registered Bond, and all such payments shall discharge the obligation of the Municipality in respect of such Bond to the extent of the payments so made. The records of the owner of the Bond shall be conclusively presumed to be correct with respect of amount of payments made and outstanding principal balance. Upon final payment, the Bond shall be submitted to the Recorder of the Board of Mayor and Aldermen of the Municipality, as bond registrar, for cancellation.

The Municipality shall have the right, at its option, to prepay the Bond or any installment thereof, in whole or in part, at any time, without penalty. Any partial prepayment, after payment of interest, shall be applied to the installments last to become due under the Bond and shall not affect the obligation of the Municipality to pay the remaining installments as they come due. Notice of prepayment shall be given to the registered owner of the Bond not less than thirty (30) days prior to the date of prepayment, unless waived by the registered owner.

The Municipality hereby appoints the Recorder of the Municipality to act on behalf of the Municipality as registrar and paying agent for the Bond. The Bond is transferable by the registered owner thereof, or by its attorney duly authorized in writing, on the registration records of the Municipality, upon presentation of the Bond to the registrar for transfer with the form of attached thereto completed in full and signed with the name of the registered owner. All transferees shall take the Bond subject to such condition. The Municipality may treat the registered owner as the absolute owner hereof for all purposes and shall not be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue.

The Bond shall be signed by the Mayor of the Municipality, shall be attested by the Recorder and shall have impressed thereon the corporate seal of the Municipality.

Section 4. Source of Payment. The Bond shall be payable primarily from and be secured by a pledge of the Net Revenues, subject to the pledge of those Revenues in favor of the Prior Lien Bonds; and in the event such revenues are insufficient therefor, the Bond shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality. For the prompt payment of principal of and interest on the Bond, the full faith, credit and resources of the Municipality are hereby irrevocably pledged.

Section 5. Form of Bond. The Bond, the registration provisions and form of assignment shall be in substantially the following form, the omissions to be appropriately completed when the Bond is prepared and delivered:

(Form of Fully Registered Bond)

UNITED STATES OF AMERICA

STATE OF TENNESSEE

COUNTY OF HAWKINS

MOUNT CARMEL, TENNESSEE

SEWER REVENUE AND TAX BOND, SERIES 1993

R-1

\$610,000

KNOW ALL MEN BY THESE PRESENTS: That Mount Carmel, a municipal corporation lawfully organized and existing in Hawkins County, Tennessee (the "Municipality"), for value received hereby promises to pay to the registered owner hereof, or its registered assigns, in the manner and from the revenues hereinafter provided, the sum of Six Hundred Ten Thousand Dollars (\$610,000), with interest on the unpaid balance hereof at the rate of

Percent (____%) per annum from the date hereof until the principal amount hereof shall have been fully paid. This Bond is payable in four hundred fifty-six (456) consecutive monthly installments of principal and interest in the amount of \$_____ each. The first installment shall be due and payable on _____, and all subsequent installments shall be due and payable on the same day

of each month thereafter. In all events, the final, four hundred fifty-sixth (456th) installment shall be in the amount of the entire unpaid balance of principal and interest on the Bond. Both principal hereof and interest hereon are payable in lawful money of the United States of America by check or draft mailed to the registered owner at the address shown on the bond registration records of the Municipality, and such payments shall discharge the obligation of the issuer hereof to the extent of the payments so made. Upon final payment this Bond shall be submitted to the Recorder of the Municipality, as Bond Registrar, for cancellation.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Municipality. Any partial prepayment shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of the Municipality to pay the remaining installments as they come due. Notice of prepayment shall be given to the registered owner hereof not less than thirty (30) days prior to the date of prepayment, unless waived by the registered owner.

This Bond shall be transferable by the registered owner hereof, or by its attorney duly authorized in writing, on the registration books of the Recorder of the Municipality at the office of the Municipality, upon presentation of the Bond to the

registrar for transfer with the form of assignment attached hereto completed in full and signed with the name of the registered owner. All transferees shall take this Bond subject to such condition. The Municipality may treat the registered owner as the absolute owner hereof for all purposes, and shall not be affected by any notice to the contrary whether or not any payments due on this Bond shall be overdue.

This Bond is issued by the Municipality for the purpose of paying part of the cost of constructing sewer system improvements and extensions for the Municipality under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 9-21-101, et seq., Tennessee Code Annotated, and pursuant to a resolution duly adopted by the Board of Mayor and Aldermen of the Municipality on the 14th day of January, 1993 (the "Resolution").

This Bond is payable primarily from and secured by a pledge of the income and revenues to be derived from the operation of the sewer system of the Municipality (the "System"), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System and to prior pledges of such revenues in favor of the Municipality's outstanding Sewer Revenue and Tax Bonds, Series 1988, dated May 1, 1988; and its TLDA bonds issued on June 25, 1991. The Municipality has covenanted and does hereby covenant that it will

fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond as each becomes due. In the event of a deficiency of such revenues, this Bond is payable from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. For the prompt payment of such principal and interest in the event of a deficiency of such revenues, the full faith, credit, and resources of the Municipality are irrevocably pledged. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the above described resolution may be modified, reference is hereby made to the Resolution.

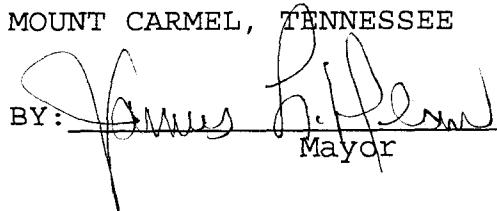
This Bond and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bond during the period the Bond is held or beneficially owned by a corporation, bank, savings and loan association or any other business entity described in Section 67-4-806, Tennessee Code Annotated, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bond in the Tennessee franchise tax base of any corporation, bank,

savings and loan association or other business entity described in Section 67-4-903, Tennessee Code Annotated.

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, happen, and be performed precedent to and in the issuance of this Bond exist, have happened, and have been performed in due time, form, and manner as required by law, and that the amount of this Bond does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

IN WITNESS WHEREOF, Mount Carmel, Tennessee, has caused this Bond to be signed by its Mayor and attested by its Recorder under the corporate seal of the Municipality, all as of this 14th day of January, 1993.

MOUNT CARMEL, TENNESSEE

BY: 

James H. Johnson
Mayor

(SEAL)

ATTEST:


Rita J. Jones
Recorder

(Form of Assignment)

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto _____ the within bond of Mount Carmel, Tennessee, and does hereby irrevocably appoint _____ attorney to transfer the said Bond on the books of the Recorder of Mount Carmel, Tennessee, as Bond Registrar, with full power of substitution in the premises.

Dated: _____

WITNESS:

=====

(Form of Registration Provisions)

(No writing in this blank except by the Registrar)

Date Registration	:	In Whose Name Registered	:	Signature of Registrar
	:		:	
	:		:	
	:		:	
	:		:	
	:		:	
	:		:	

Section 6. Application of Revenues and Levy of Tax. From and after the delivery of the Bond hereunder, and as long as the Bond shall be outstanding and unpaid either as to principal or as to interest, the entire income and revenues of the System shall be deposited as collected in the Municipality's general revenue (the "Revenue Fund") fund and used first to satisfy the contractual obligations set forth in any resolution(s) authorizing Prior Lien Bonds. The income and revenues remaining after satisfying such obligations shall be used as follows:

(a) To the extent not provided for in resolutions authorizing Prior Lien bonds, money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.

(b) The money remaining in the Revenue Fund after payment of Current Expenses shall next be used, if no such fund exists, to fully fund a separate fund to be designated as the Sewer System Operation and Maintenance Fund which, together with any money already on deposit in said fund, or in any corresponding fund established by resolution authorizing Prior Lien Bonds, will equal one-fourth (1/4th) of the amount budgeted for Current Expenses for the current Fiscal Year by the Governing Body of the Municipality as provided in Section 8(f) hereof; provided, however, that in no event shall the amount on deposit in the Operation and Maintenance Fund exceed one-fourth (1/4th) of the amount budgeted for Current Expenses for the current Fiscal Year, and any excess over such amount at the end of any Fiscal Year

shall be returned to the Revenue Fund. Money on hand in the Operation and Maintenance Fund shall be used only for the payment of Current Expenses as the same become due;

(c) The money remaining in the Revenue Fund after the Operation and Maintenance Fund shall have been fully funded shall next be used to pay principal of and interest on the Bond and Parity Bonds as the same become due;

(d) Money thereafter remaining in the Revenue Fund may be used to pay principal of and interest on (including reasonable reserves therefor) any bonds payable from the revenues of the System but junior and subordinate in all respects to the Bond authorized by this resolution;

(e) The money in the Revenue Fund shall be allotted and paid into the various funds hereinbefore established in the order in which said funds are listed on a cumulative basis, and if in any month the money in the Revenue Fund shall be insufficient to place the required amount in any of said funds the deficiency shall be made up in the following month or months after payment into all funds enjoying a prior claim to the revenues shall have been met in full;

(f) Money on deposit in the Funds described in this Section may be invested in such investments as shall be permitted by

Tennessee law. Funds in the accounts established herein may be pooled with each other and with accounts and funds established pursuant to resolutions authorizing Prior Lien Bonds for investment purposes. Segregated bank accounts need not be maintained for invested funds so long as any accounts and funds are segregated on the books and records of the Municipality and their use restricted to the purposes set forth herein. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund;

(g) The Revenue Fund, the Operation and Maintenance Fund and the Reserve Fund shall be held and maintained by the Municipality and, when not invested, kept on deposit with a financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation, or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable Tennessee law;

(h) The Municipality will comply with all provisions of the resolution(s) authorizing Prior Lien Bonds so long as any such bonds are outstanding, and will maintain all funds provided for therein in the maximum amounts required. Any excess amounts after such maximum amounts have been reached and any balance in such funds after such Bonds have been retired shall be

transferred to the corresponding funds created by this resolution and used as herein provided;

(i) The Municipality will levy and collect such ad valorem taxes as may be necessary, together with other available funds after payment of Current Expenses, to provide for debt service on the Bond and Parity Bonds and to build up and maintain the Funds required by this Section, which tax may be reduced to the extent the revenues of the System are sufficient to meet the requirements of this resolution. All proceeds from such tax shall be deposited in the Revenue Fund.

Section 7. Charges for Services Supplied by the System.

While the Bond remains outstanding and unpaid, the Municipality covenants and agrees that it will permit no free service to be furnished to any consumer or user whatsoever, and the charges for all services supplied through the medium of the System to the Municipality and its residents and to all consumers shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining and operating the System, and the proper and necessary allowances for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on the Bond payable from such revenues, and there shall be charged against all users of the services of the System such rates and amounts as shall be

fully adequate to meet the requirements of Section 6 of this resolution.

The Municipality will bill its customers on a monthly basis and will discontinue service to any customer whose bill remains unpaid sixty (60) days following the mailing of such bill, until such bill and penalties shall have been paid in full.

Section 8. Covenants Regarding the Operation of the System.

The Municipality hereby covenants and agrees with the owner of the Bond so long as the Bond is outstanding:

- (a) That the Municipality will maintain the System in good condition in an efficient manner and at reasonable cost;
- (b) That the Municipality will maintain insurance on the properties of the System for the benefit of the owner of the Bond of a kind and in an amount which would normally be carried by private companies engaged in a similar type of business. The proceeds of any such insurance, except public liability insurance, received by the Municipality shall be used to replace the part or parts of the System damaged or destroyed, or if not so used shall be placed in the Revenue Fund;
- (c) That the Municipality will cause to be kept proper books and accounts adapted to the System, and will cause the books and accounts to be audited at the end of each Fiscal Year by an independent certified public accountant. Each such audit, in addition to whatever matters may be thought proper by the accountant to be included therein, shall include the following:

1. A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;
2. A statement showing beginning and ending balances of each Fund described herein;
3. A balance sheet as of the end of the Fiscal Year;
4. The accountant's comments regarding the manner in which the Municipality has carried out the requirements of this resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;
5. A list of insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insuror and the expiration date of the policy;
6. The number and classifications of customer service connections to the System as of the end of the Fiscal Year;
7. The disposition of any Bond or Parity Bond proceeds during the Fiscal Year;
8. A statement as to all breaches or defaults hereunder by the Municipality of which the accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Current Expenses. The Municipality further agrees to furnish copies of such audits to the owner of the Bond within one hundred twenty

(120) days after the close of each Fiscal Year. The owner of the Bond shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Municipality relating thereto. If the Municipality fails to provide the audits and reports required by this subsection, the owner of the Bond may cause such audits and reports to be prepared at the expense of the Municipality;

(d) That the Municipality will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State of Tennessee, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will apply the revenues of the System to the purposes and funds specified in this resolution;

(e) That the Municipality will not sell, transfer, lease, mortgage, or otherwise encumber, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof, without the prior written consent of the owner of the Bond; provided, however, that to the extent it may do so without impairing the rights of the owners of Prior Lien Bonds, but only with the prior written consent of the owner of the Bond, the Municipality may at any time permanently abandon the use of, or sell at fair market value, any of the System facilities, provided that:

(1) It is in full compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the revenues of the System and the funds required hereunder have been established and contributions thereto are current;

(2) It will, in the event of sale, apply the proceeds to either (a) to redemption or prepayment of bonds payable from revenues of the System in accordance with the provisions governing repayment of such bonds in advance of maturity, or (b) replacement of the facility so disposed of by another facility the revenues of which shall be incorporated into the System as hereinafter provided;

(3) It certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing Net Revenues; and

(f) That, prior to the beginning of each Fiscal Year, the Governing Body of the Municipality will prepare, or cause to be prepared, and adopt a budget of estimated Gross Earnings, Current Expenses and capital expenditures for the System for the ensuing Fiscal Year, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to the owner of the Bond upon request. The Municipality covenants that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that it will not expend any amounts or incur any obligations in

excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution by its Governing Body. It is further covenanted that if the estimated Gross Earnings for the succeeding Fiscal Year shall be insufficient to make all payments and transfers and satisfy all the obligations provided in Section 6 hereof, then the Municipality will promptly revise rates charged to users of the System to provide Gross Earnings sufficient for such purpose;

(g) That each officer of the Municipality or person other than banks or other financial institutions having custody of funds of the System shall be under fidelity bond coverage at all times in such amount as may be required by state law and by the holder of the Bond;

(h) The Municipality will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the Municipality by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service;

Section 9. Remedies of Bondowners. Any owner of the Bond may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the

Municipality by the provisions of this resolution, including the making and collecting of sufficient rates, the segregation of the income and revenues of the System and proper application thereof, and the levy and collection of ad valorem taxes to meet the obligations of the Municipality under this resolution.

If any default be made in the payment of principal of or interest on the Bond or Parity Bonds, then upon the filing of suit by any owner of said bonds or coupons appertaining thereto, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the Municipality with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of operating expenses, and to apply the income and revenues thereof in conformity with the provisions of this resolution.

Section 10. Equality of Lien; Prohibition of Prior Lien; Parity Bonds. The Municipality will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bond herein authorized.

Additional bonds may hereafter be issued on a parity with the Bond herein authorized under the following conditions but not otherwise:

(a) Additional bonds may be issued on a parity with the Bond herein authorized without regard to the requirements of

subsection (b) of this section, but solely for the purpose of completing the Project; and

(b) Additional bonds may also be issued on a parity with the Bond herein authorized if the Net Revenues of the System for the Fiscal Year preceding the issuance of such additional bonds are equal to at least 120% percent of the average annual requirements for principal and interest on all obligations then outstanding and payable from the revenues of the System together with the proposed Parity Bonds; provided, that the limitations of this subsection (b) may be waived or modified by the written consent of the owner of the Bond.

Section 11. Sale of Bond and Issuance of Bond Anticipation Notes. The Bond shall be sold to the Government at a price of par and accrued interest. The Mayor and Recorder of the Municipality are authorized to execute and deliver the Bond and any Bond Anticipation Notes and Interim Certificates of Indebtedness hereafter authorized and to execute such certificates and documents as they shall deem necessary in connection with the sale and delivery of the Bond.

Under the provisions of Sections 9-21-101, et seq., Tennessee Code Annotated, municipalities in Tennessee are authorized through their respective governing bodies, upon approval by the Tennessee State Director of Local Finance, to issue interest bearing bond anticipation notes for all municipal purposes for which bonds can be legally authorized and issued.

For the purpose of providing funds to finance construction of the Project as herein described and in anticipation of the proceeds of the Bond, the Municipality may issue Bond Anticipation Notes (also referred to hereinafter as "Notes") in accordance with the following procedures and restrictions.

- (a) The total principal amount of the Notes may not exceed \$600,000 (principal of the Bond less capitalized interest);
- (b) The notes shall be designated "Bond Anticipation Notes" and shall be numbered serially beginning with the number 1. The Notes shall be issued in fully registered form, without coupons, and shall be dated as of the date of the issuance thereof, shall mature not later than two (2) years thereafter and shall be of such denominations as may be agreed upon by the Mayor and the purchaser of the Notes;
- (c) The Notes shall bear interest at a rate not to exceed the maximum rate permitted by applicable law, payable semi-annually each six (6) months after date of issue; provided, however, interest shall be payable at maturity if the owner of the Notes shall so agree. All payments in respect of each such Note, principal and interest, shall be made directly to the registered owner at its address shown on the registration book of the Municipality, without, except for final payment, the presentation or surrender of such registered Note, and all such payments shall discharge the obligation of the Municipality in respect of such Note to the extent of the payments so made;

(d) The Notes shall be subject to prepayment prior to maturity at the option of the Municipality, in whole or in part, at any time at the principal amount thereof and accrued interest to the date of prepayment;

(e) The Notes shall be executed and signed in the name of the Municipality by the Mayor and attested by the Recorder with the seal of the Municipality affixed thereto;

(f) The Notes shall be in substantially the following form with such changes as the Mayor may approve, the execution and delivery thereof to be conclusive as to the approval by this Governing Body of any such changes:

(Form of Fully Registered Note)

STATE OF TENNESSEE

COUNTY OF HAWKINS

MOUNT CARMEL

SEWER REVENUE AND TAX BOND, SERIES 1993

BOND ANTICIPATION NOTE

\$ _____

No. _____

KNOW ALL MEN BY THESE PRESENTS: That Mount Carmel, a municipal corporation lawfully organized and existing in Hawkins County, Tennessee (the "Municipality"), hereby acknowledges itself to owe and for value received hereby promises to pay to the registered owner hereof, or its registered assigns, the sum of \$ _____ on or before _____, 199_____, together with interest at the rate of _____ percent (_____%) per annum until paid, such interest being payable on _____, 199_____, and semi-annually thereafter on the _____ day of _____ and _____ of each year. Both principal hereof and interest hereon are payable in lawful money of the United States of America by check or draft mailed to the registered owner at the address shown on the registration book, and such payments shall discharge the obligation of the issuer hereof to the extent of the payments so made. Upon final payment this Note shall be submitted to the Registrar for cancellation. For the prompt payment of this obligation, both principal and interest at maturity, the full

faith, credit and other resources of said Municipality are hereby irrevocably pledged.

This Note, together with such Interim Certificates as may be issued, is one of a series in an authorized aggregate principal amount of up to \$600,000, issued by said Municipality for the purpose of providing funds to finance the construction of sewer system improvements and extensions in and for the Municipality, and is in all respects in compliance with and under the authority of Sections 9-21-101, et seq., Tennessee Code Annotated, and under authority of proceedings duly adopted by the Governing Body of the Municipality, on the _____ day of _____, 1993, in anticipation of the proceeds of a \$610,000 Sewer Revenue and Tax Bond, Series 1993 to be issued by the Municipality under authority of Sections 9-21-101, et seq., Tennessee Code Annotated, and other applicable provisions of Tennessee law, which proceeds shall be applied to the repayment hereof.

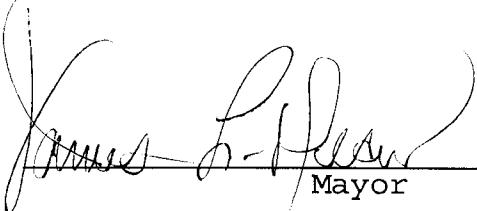
This Note is transferable by the registered owner hereof, or by its attorney duly authorized in writing, on the registration books of the Municipality at the office of the Recorder of the Municipality, as Registrar, and the notation of such transfer and registration by the Registrar on the registration books. All assignees shall take this Note subject to such condition. The Municipality may treat the registered owner as the absolute owner hereof for all purposes, and shall not be affected by any notice to the contrary whether or not any payments due on this Note shall be overdue.

It is hereby certified and recited that all acts, conditions and things required by the constitution and by the laws of the State of Tennessee to exist, or to be done precedent to and in the issuance of this obligation, do exist, and have been properly done, happened, and been performed in regular and due form and time as required by law; and that provision has been made to pay the principal and interest thereon as same falls due.

This Note and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Note during the period the Note is held or beneficially owned by a corporation, bank, savings and loan association or any other business entity described in Section 67-4-806, Tennessee Code Annotated, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Note in the Tennessee franchise tax base of any corporation, bank, savings and loan association or other business entity described in Section 67-4-903, Tennessee Code Annotated.

This Note is subject to prepayment prior to maturity at the option of the Municipality, in whole or in part, at any time at the principal amount thereof and accrued interest to the date of prepayment.

IN WITNESS WHEREOF, Mount Carmel, through its Governing Body, has caused this Note to be signed by its Mayor and attested by its Recorder under the seal of the Municipality on this 14th day of January, 1993.



James L. Hens
Mayor

(SEAL)

ATTESTED:



Rita J. Jones
Recorder

(Form of Assignment)

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the within Note of Mount Carmel, Tennessee, and does hereby irrevocably appoint _____ attorney to transfer the said Note on the books of the Recorder of Mount Carmel, Tennessee, as Registrar, with full power of substitution in the premises.

Dated: _____

Witness:

(Form of Registration Provisions)

(No writing in this blank except by the Registrar)

Date of Registration	:	In Whose Name Registered	:	Signature of Registrar
:	:	:	:	
:	:	:	:	
:	:	:	:	
:	:	:	:	

(g) Notes issued pursuant to this Section shall be payable from the Net Revenues of the System, subject to prior pledges of such Revenues in favor of holders of the Prior Lien Bonds. In the event of a deficiency of such Revenues, there shall be levied upon all taxable property in the Municipality, in addition to all other taxes, a direct annual tax for each of the years while said Notes, or any of them, are outstanding, in amounts sufficient to pay interest on and the principal of the Notes. Principal of and interest coming due any time when there shall be insufficient funds on hand to pay the same shall be promptly paid when due from the general funds and reimbursement shall be made to such fund or funds in the amount of the sums thus advanced when taxes provided for that purpose shall have been collected; provided, however, that when the Bond authorized by this resolution shall have been issued, the principal proceeds of such Bond in an amount not exceeding the principal amount of Notes issued hereunder and then outstanding (together with any accrued interest provided for from the Bond proceeds) shall be applied to

the retirement of such Notes and such proceeds are hereby pledged for the benefit of the noteholder(s);

(h) The Notes shall not be issued or executed until after the approval of the Tennessee State Director of Local Finance has been obtained as required by Sections 9-21-101, et seq., Tennessee Code Annotated;

(i) The Notes shall be sold by the Mayor in whole or in part from time to time at not less than par and accrued interest and said Notes shall thereupon be delivered to the purchaser(s) by the Recorder upon payment therefor. The action of the Mayor in selling the Notes and fixing the interest rate or rates on the Notes, but not exceeding the maximum rate permitted by applicable law, and fixing the denomination and maturity dates of such Notes, shall be binding on the Municipality, and no further action by the Governing Body shall be necessary in reference thereto;

(j) The Notes shall not be issued until after the passage of ten (10) days from the date of publication of the Initial Resolution authorizing the Bond in a newspaper of general circulation in the Municipality, and in no event shall such Notes be issued if a petition signed by at least ten percent (10%) of the registered voters in the Municipality is filed protesting the issuance of the Bond within the prescribed ten-day period;

(k) Included within the term "Bond Anticipation Notes" are Interim Certificates of Indebtedness ("Interim Certificates") which may be issued to the Original Purchaser of the Bond upon

the terms and conditions herein provided and in the form hereinabove approved. The combined principal amount of Bond Anticipation Notes and Interim Certificates outstanding at any one time shall not exceed the total principal amount of the bond authorized by this resolution less the capitalized interest (as hereafter defined), if any, provided for as part of the principal amount of the Bond. The Bond purchase price paid by the Government shall be reduced by the principal amount of Interim Certificates held by it, including accrued interest thereon, and such Interim Certificates shall be delivered by the Government to the Municipality at the time of delivery of the Bond;

(l) The proceeds of the sale of Bond Anticipation Notes shall be deposited in the Construction Fund hereafter created;

(m) The Bond Anticipation Notes are hereby designated "qualified tax exempt obligations" as such term is defined and used in Section 265 of the Internal Revenue Code of 1986, as amended, and any lawful regulation promulgated thereunder.

Section 12. Disposition of Bond Proceeds. From the proceeds of the sale of the Bond, all accrued interest and the sum of \$10,000 ("Capitalized Interest") shall be used to pay interest on the Bond during a period not to exceed the period of construction of the Project and for six (6) months thereafter, including interest on Bond Anticipation Notes and the Interim Certificates.

Bond proceeds necessary to pay outstanding Bond Anticipation Notes, including interest accrued thereon for which money is not available pursuant to the preceding paragraph, shall be used for such purpose.

The balance of the proceeds of the sale of the Bond and any grant funds received by the Municipality shall be deposited with a financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency, in a special fund known as the Sewer System Construction Fund (the "Construction Fund") and shall be disbursed solely for the payment of the costs of constructing the Project and placing same in operation, including costs of construction, cost of necessary engineering services, legal, administrative and clerical costs, cost of land acquisition, interest during construction and for six months thereafter, and other necessary miscellaneous expenses. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such statutes, by a pledge of readily marketable securities having at all times a market value of not less than the amount in the Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any proceeds from the sale of the Bond remaining in the Construction Fund after the Project shall have been completed in accordance with the plans and specifications of the Consulting Engineers, aforesaid, shall

be used at the earliest practicable date for the prepayment of the Bond as herein provided. Any funds, including both loan and grant funds, provided by the Government for Project costs, but not needed to pay Project costs, will be considered to be Government grant funds and returned to the Government Finance Office. If the amount of unused Government funds exceeds the Government grant amount, the excess will be considered to be Government loan funds and used to prepay the Bond as provided above.

Section 13. Resolution a Contract. The provisions of this resolution shall constitute a contract between the Municipality and the owner of the Bond, and after the issuance of the Bond, no change, variation or alteration of any kind in the provisions of this resolution shall be made in any manner, except as provided in the following Section, until such time as the Bond and interest due thereon shall have been paid in full.

Section 14. Defeasance. So long as the Government is the owner of the Bond herein authorized, the Municipality shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Bond herein authorized without immediately prepaying the Bond.

Section 15. Modification of Resolution. The terms, covenants and agreements set forth in this resolution may be

modified or amended by resolution of the Governing Body, consented to in writing by the owner of the Bond.

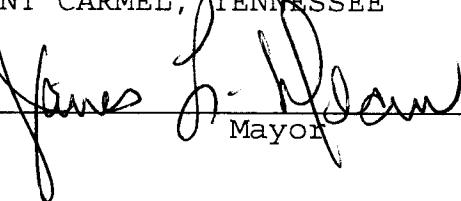
Section 16. Reasonably Expected Economic Life. The "reasonably expected economic life" of the System after completion of the Project within the meaning of Sections 9-21-101, et seq., Tennessee Code Annotated, is thirty-eight (38) years.

Section 17. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 18. Repeal of Conflicting Resolutions and Effective Date. All other 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.

Adopted and approved this 14th day of January, 1993.

MOUNT CARMEL, TENNESSEE

BY: 

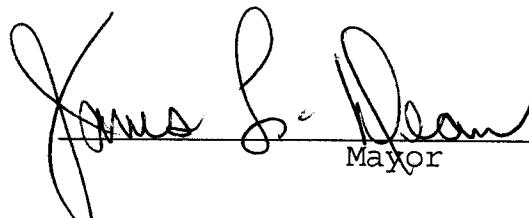
James S. Dean
Mayor

ATTEST:


Rita J. Jones
Recorder

* * * * *

Pursuant to motion duly made and carried, the meeting adjourned.


James S. Dean
Mayor

ATTEST:


Rita J. Jones
Recorder

STATE OF TENNESSEE)

COUNTY OF HAWKINS)

I, Rita J. Jones, hereby certify that I am the duly qualified and acting Recorder of Mount Carmel, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a called meeting of the Governing Body of that municipality held on January 14, 1993; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original record relates to a \$610,000 Sewer Revenue and Tax Bond, Series 1993 of the Municipality.

WITNESS my official signature and the seal of the municipality, this 14th day of January, 1993.

(SEAL)

Rita J. Jones
Recorder