

A RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND PAYMENT OF \$1,182,000 OF BONDS BY THE TOWN OF BLUFF CITY, TENNESSEE; AUTHORIZING THE ISSUANCE OF BOND ANTICIPATION NOTES PRIOR TO THE ISSUANCE OF THE BONDS; AND AUTHORIZING THE PLEDGE OF REVENUES OF THE WATER AND SEWER SYSTEM AND THE LEVY OF TAXES TO PAY THE BONDS AND NOTES.

WHEREAS, the Board of Mayor and Aldermen of the Town of Bluff City, Tennessee (the "Town") has determined that it is necessary and advisable to authorize the issuance of revenue and tax deficiency bonds of the Town for the purpose of financing water and sewer system improvements and extensions; and

WHEREAS, the Board of Mayor and Aldermen did on the date hereof adopt an Initial Resolution authorizing the bonds described herein (the "Initial Resolution"); and

WHEREAS, the United States Department of Agriculture, acting through Rural Development ("Rural Development") has issued to the Town its amended Letter of Conditions dated September 18, 2015 (the "Letter of Conditions"), in which it has agreed to purchase bonds on terms and conditions favorable to the Town and its citizens; and

WHEREAS, the Board of Mayor and Aldermen wishes to authorize the issuance, sale and payment of the bonds, the issuance of bond anticipation notes prior to the issuance of the bonds and the pledge of revenues of the water and sewer system and the levy of taxes to pay the bonds and notes;

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the Town of Bluff City, Tennessee, as follows:

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

**Section 2. Definitions.** In addition to the capitalized terms defined above, the following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

(a) "Bonds" shall mean the not to exceed \$1,182,000 Water and Sewer Revenue and Tax Bonds of the Town, authorized to be issued by this resolution.

(b) "Current Expenses" shall mean expenses incurred by the Town 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, but excluding depreciation and payments of principal, premium and interest when due with respect to all bonds, notes or other obligations of the Town.

(c) "Fiscal Year" shall mean the Town's fiscal year.

(d) "Governing Body" shall mean the Board of Mayor and Aldermen of the Town.

(e) "Gross Earnings" means all revenues, rentals, earnings and income of the Town from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System and all amounts realized from the investment of funds of the System (excluding any investment earnings from construction or improvement funds created for the

deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the Town.

- (f) "Net Revenues" shall mean Gross Earnings minus Current Expenses.
- (g) "Notes" shall mean the bond anticipation notes authorized to be issued by this Resolution.
- (h) "Operation and Maintenance Fund" shall mean the Operation and Maintenance Fund established herein.
- (i) "Parity Bonds" shall mean the Town's Water and Sewer Revenue and Tax Bond, authorized by resolution dated August 4, 2015, to be issued on or about the date of the Bond, and all other bonds issued on a parity with the Bond herein authorized in accordance with the restrictive provisions hereof.

(j) "Prior Lien Bonds" shall mean the Town's outstanding Water and Sewer Revenue and Tax Bond, Series 1979, dated February 28, 1980; and its Water and Sewer System Revenue and Tax Replacement Capital Outlay Notes, Series 1994, authorized by resolution dated February 3, 1994; and its Water and Sewer Revenue and Tax Bond, Series 1996, dated January 18, 1996, and authorized by resolution dated January 4, 1996; its Water and Sewer Revenue and Tax Bond, Series 2002, dated December 10, 2001; Revolving Fund Loan Agreement approved on December 1, 1999, among the Tennessee Department of Environment and Conservation, the Tennessee Local Development Authority and the Municipality; and that certain wastewater treatment agreement between the Town and the City of Bristol, Tennessee including any renewal or substitution thereof.

(k) "Projects" shall mean the public works projects described in the Letter of Conditions, and all capital costs related thereto.

(l) "Revenue Fund" shall mean the revenue fund into which all revenues of the System shall be deposited as provided herein.

(m) "System" shall mean the complete water and sewer system of the Town, including all improvements and extensions made by the Town 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 water and sewer system, and including all appurtenances, contracts, leases, franchises and other intangibles.

**Section 3. Authorization of Terms and Sale of the Bond.**

(a) General Terms. The Governing Body hereby authorizes the issuance of bonds of the Town in an aggregate principal amount up to \$1,182,000 (the "Bonds"). The Bonds may be issued as a single bond or in multiple emissions. The Bonds shall be issued to Rural Development in exchange for the payment of a price equal to 100% of the par amount thereof.

- 1) The Bonds shall be issued to:
  - a) finance the costs of the Projects (including any reimbursement thereof);
  - b) retire the principal of and, with the consent of Rural Development, interest on the Notes; and

c) pay costs of issuing the Bonds.

2) Each Bond shall be known as a "Water and Sewer Revenue and Tax Bond" or such other name as may be selected by the Mayor. A series designation indicating the year of issuance and such other distinctions as may be directed by the Mayor shall be added to the name of each Bond.

3) Each Bond shall be dated the date of its delivery.

4) Each Bond shall bear interest at a rate not to exceed 2.875% per annum and shall be payable in not more than 456 equal monthly installments of principal and interest in an amount sufficient to fully amortize the Bond over the period of such installments. The annual principal and interest payment on the Bonds at the maximum term, par amount and interest rate is \$51,216. The first installment of debt service on each Bond shall be due and payable one month following the date of its issuance, but in no event later than the 28<sup>th</sup> day of the month of such first payment, and all subsequent installments shall be due and payable on the same day of each month thereafter. In all events, the final installment shall be in the amount of the entire unpaid balance of principal and interest on the Bond. All payments of principal and interest on each Bond shall be made directly to the registered owner thereof at its address shown on the bond registration records of the Town, without, except for final payment, the presentation or surrender of such Bond, and all such payments shall discharge the obligation of the Town in respect of such Bond to the extent of the payments so made. The records of the owner of each Bond shall be conclusively presumed to be correct with respect to amounts of payments made and outstanding principal balance. Upon final payment, each Bond shall be submitted to the City Recorder of the Town, as bond registrar, for cancellation.

(b) The Mayor is hereby authorized to cause the Bonds to be issued in a principal amount less than \$1,182,000 if it is determined that the full amount of the Bonds is not needed to pay authorized costs. The Mayor and City Recorder of the Town are authorized to execute and deliver the Bonds, to execute such certificates and documents and to take such other actions as they shall deem necessary in connection with the sale and delivery of the Bonds.

(c) The Bonds shall not be issued until after the passage of 20 days from the date of publication of the Initial Resolution authorizing the Bonds, and in no event shall the Bonds be issued without a prior referendum if a petition signed by at least ten percent of the registered voters in the Town is filed protesting the issuance of the Bonds within the statutorily prescribed 20-day period.

(d) The Town shall have the right, at its option, to prepay the Bonds 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 Bonds and shall not affect the obligation of the Town to pay the remaining installments as they come due. Notice of prepayment shall be given to the registered owner of the Bonds not less than thirty (30) days prior to the date of prepayment, unless waived by the registered owner.

(e) The Town hereby appoints the City Recorder of the Town to act on behalf of the Town as registrar and paying agent for the Bonds. The Bonds are transferable by the registered owner thereof, or by its attorney duly authorized in writing, on the registration records of the Town, upon presentation of the Bonds to the registrar for transfer with the form of assignment attached thereto completed in full and signed with the name of the registered owner. All transferees shall take the Bonds subject to such condition. The Town 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 Bonds shall be overdue.

(f) The Bond shall be signed by the Mayor of the Town, shall be attested by the City Recorder and shall have impressed thereon the corporate seal of the Town.

**Section 4. Authorization of Terms and Sale of Bond Anticipation Notes.**

(a) The Governing Body hereby authorizes the issuance of one or more revenue and tax deficiency bond anticipation notes in the maximum aggregate principal amount equal to the maximum principal amount of the Bonds (the "Notes"). The proceeds of the Notes shall also be used to pay costs of the Projects (including reimbursement thereof), interest during construction of the Project and for six (6) months thereafter, with the consent of Rural Development, and issuance costs of the Notes. Each Note shall be in the form of a fully registered note, without coupons, shall be known as Water and Sewer Revenue and Tax Bond Anticipation Note, together with a series designation further identifying the Note, as selected by the Mayor, and shall be dated as of the date of its delivery.

(b) Each Note shall mature not later than two years from its issuance, shall bear interest at a rate not to exceed the maximum rate permitted by applicable law, payable at such time as the Mayor shall designate, and shall be subject to prepayment upon such terms as the Mayor shall designate.

(c) The Mayor shall select the purchaser(s) of the Notes and cause the Notes to be sold to such purchaser(s) at a price of par. In connection therewith, the Mayor is authorized to establish the remaining terms of the Notes, without further action by the Governing Body. The Mayor and City Recorder of the Town are authorized to execute and deliver the Notes, to execute such certificates and documents and to take such other actions as they shall deem necessary to further evidence the Town's obligations under the Notes. The Notes may also be issued to Rural Development, upon the terms otherwise provided herein, in which case the Notes shall also bear the designation of "Interim Certificates of Indebtedness". The purchase price paid by Rural Development for the Bonds 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 Rural Development to the Town at the time of delivery of the Bonds.

(d) The Notes shall not be issued until after the passage of 20 days from the date of publication of the Initial Resolution authorizing the Bonds, and in no event shall the Notes be issued without a prior referendum if a petition signed by at least ten percent of the registered voters of the Town is filed protesting the issuance of the Bonds within the prescribed 20-day period.

(e) Pursuant to Section 9-21-505, Tennessee Code Annotated, the approval of the Comptroller's office is not required for the issuance of the Notes because the Bonds will be issued to a federal agency.

(f) The Governing Body hereby approves the renewal and extension of any Notes issued hereunder, without further action of the Governing Body, to the extent such Notes have matured (or are scheduled to mature) and the Bonds have not and will not be issued in time to retire the maturing Notes.

**Section 5. Security and Source of Payment of the Bonds and Notes.** The Bonds shall be payable primarily from and be secured by a pledge of the Net Revenues on parity with the Parity Bonds, subject to the pledge of Net Revenues in favor of the Prior Lien Bonds. In the event such revenues are insufficient therefor, the Bonds shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the Town. For the prompt payment of principal of and interest on the Bonds, the full faith, credit and resources of the Town are hereby irrevocably pledged. The Notes

shall be paid from proceeds of the Bonds. In the event such proceeds are unavailable, the Notes shall be secured and payable in exactly the same manner as the Bonds.

**Section 6. Form of Bond and Notes.** The Notes shall be in the form approved by the Mayor consistent with the terms of this Resolution. Each Bond shall be in substantially the following form, the omissions to be appropriately completed when each Bond is prepared and delivered:

(Form of Bond)

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
COUNTY OF SULLIVAN  
TOWN OF BLUFF CITY  
WATER AND SEWER REVENUE AND TAX BOND, SERIES \_\_\_\_\_

R-1

\$ \_\_\_\_\_

KNOW ALL MEN BY THESE PRESENTS: That the Town of Bluff City, Tennessee (the "Town"), for value received hereby promises to pay to the registered owner hereof, or its registered assigns, in the manner and from the sources hereinafter provided, the sum of \$ \_\_\_\_\_, with interest on the unpaid balance hereof at the rate of \_\_\_\_\_% per annum from the date hereof until the principal amount hereof shall have been fully paid. This Bond is payable in \_\_\_\_\_ consecutive 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 \_\_\_\_\_. In all events, the final 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 electronic fund transfer or by check or draft mailed to the registered owner at the address shown on the bond registration records of the Town, 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 City Recorder of the Town, as Bond Registrar, for cancellation.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Town. 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 Town 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 records of the City Recorder of the Town at the office of the City Recorder of the Town, 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 Town 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 Town for the purpose of paying part of the cost of water and sewer system improvements and extensions for the Town 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 Town on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ (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 water and sewer system of the Town (the "System") on parity with the Town's outstanding Water and Sewer Revenue and Tax Bond, authorized by resolution dated August 4, 2015, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said System and to the prior pledge of those revenues in favor of the Town's outstanding Water and Sewer Revenue and Tax Bond, Series 1979, dated February 28, 1980; and its Water and Sewer System Revenue and Tax Replacement Capital Outlay Notes, Series 1994, authorized by resolution dated February 3, 1994; and its Water and Sewer Revenue and Tax Bond, Series 1996, dated January 18, 1996, and authorized by resolution dated January 4, 1996; its Water and Sewer Revenue and Tax Bond, Series 2002, dated December 10, 2001; Revolving Fund Loan Agreement approved on December 1, 1999, among the Tennessee Department of Environment and Conservation, the Tennessee Local Development Authority and the Municipality; and that certain wastewater treatment agreement between the Town and the City of Bristol, Tennessee including any renewal or substitution thereof. In the event such revenues are insufficient therefor, this Bond shall be payable from ad valorem taxes to be levied on all taxable property within the corporate limits of the Town. For the prompt payment of principal of and interest on this Bond, the full faith, credit and resources of the Town are hereby irrevocably pledged. For a more complete statement of the terms and conditions upon which this Bond is payable, 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 any organization or entity, other than a general partnership or sole proprietorship, doing business in the State of Tennessee, 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 organization or entity, other than a general partnership or sole proprietorship, doing business in the State of Tennessee.

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, the Town of Bluff City, Tennessee has caused this Bond to be signed by its Mayor and attested by its City Recorder under the corporate seal of the Town, all as of this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

TOWN OF BLUFF CITY, TENNESSEE

FORM ONLY – DO NOT SIGN

Mayor

ATTEST:

FORM ONLY – DO NOT SIGN

City Recorder

(SEAL)

(End of Form of Bond)

**Section 7. Application of Revenues and Levy of Tax.** From and after the delivery of the Bonds hereunder, and as long as the Bonds 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 Revenue Fund and used first to satisfy the contractual obligations set forth in any resolution authorizing Prior Lien Bonds, and any funds thereafter shall be used as follows:

(a) 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 Operation and Maintenance Fund which, together with any money already on deposit in said fund, or in any corresponding fund established by the Town, will equal one-fourth (1/4<sup>th</sup>) of the amount budgeted for Current Expenses for the current Fiscal Year by the Governing Body of the Town; provided, however, that any excess over such amount at the end of any Fiscal Year shall be returned to the Revenue Fund. If in any month the money in the Revenue Fund shall be insufficient to place the required amount in the Operation and Maintenance Fund, the deficiency shall be made up in the following month or months after payment of Current Expenses. 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 Bonds and Parity Bonds as the same become due; and

(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 Bonds authorized by this resolution, or may be applied to any other legal purpose.

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 Town 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.

The Revenue Fund and the Operation and Maintenance Fund shall be held and maintained by the Town 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.

The Town 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.

The Town, through its Governing Body, shall annually levy and collect a tax upon all taxable property within the Town, in addition to all other taxes authorized by law, sufficient to pay debt service on the Bonds when due, and for that purpose there is hereby levied a direct annual tax in such amount as may be necessary each year to pay debt service coming due on the Bonds in such year. Debt service falling due at any time when there are insufficient funds from this tax levy on hand shall be paid from the current funds of the Town and reimbursement therefor shall be made out of the taxes hereby provided to be levied when the same shall have been collected. The tax herein provided may be reduced to the extent general funds of the Town, including Net Revenues, are applied to the payment of debt service on the Bonds.

**Section 8. Equality of Lien; Prohibition of Prior Lien; Parity Bonds.** The Town 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 Bonds herein authorized.

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

(a) Additional bonds may be issued on a parity with the Bonds herein authorized without regard to the requirements of subsection (b) of this section, but solely for the purpose of completing the Projects; and

(b) Additional bonds may also be issued on a parity with the Bonds 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% 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 Bonds.

**Section 9. Charges for Services Supplied by the System.** While the Bonds remain outstanding and unpaid, the Town 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 Town 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 Bonds 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 this resolution.

The Town 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 10. Covenants Regarding the Operation of the System.** The Town hereby covenants and agrees with the owners of the Bonds so long as the Bonds are outstanding:



(a) That the Town will maintain the System in good condition in an efficient manner and at reasonable cost;

(b) That the Town will maintain insurance on the properties of the System for the benefit of the owner of the Bonds 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 Town 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 Town 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 Town 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 insurer 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 Town 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 Town further agrees to furnish copies of such audits to the owner of the Bonds within one hundred fifty (150) days after the close of each Fiscal Year. The owner of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Town relating thereto. If the Town fails to provide the audits and reports required by this subsection, the owner of the Bonds may cause such audits and reports to be prepared at the expense of the Town;

(d) That the Town 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 Town will not sell, lease, mortgage, 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; provided, however, the use of any of the System facilities may at any time be permanently abandoned or any of the System facilities sold at fair market value, provided that:

(1) The Town is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

(2) Any sale proceeds will be applied either (A) to the purchase or redemption of the Bonds, Prior Lien Bonds and/or Parity Bonds, (B) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (C) the deposit to a replacement fund to be used to make capital improvements to the System; and

(3) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System and the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service.

(f) That, prior to the beginning of each Fiscal Year, the Governing Body of the Town 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 Bonds upon request. The Town 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 herein, then the Town will promptly revise rates charged to users of the System to provide Gross Earnings sufficient for such purpose;

(g) That each officer of the Town 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, if and as may be required by state law or by the holder of the Bonds; and

(h) The Town 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 Town 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 11. Remedies of Bond Owners.** 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 Town 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 Town under this resolution.

If any default be made in the payment of principal of or interest on the Bonds 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 on behalf of the Town 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 12. Disposition of the Proceeds of the Notes and Bond.** The proceeds of the sale of the Notes shall be applied directly to the costs authorized herein or 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 designated so as to identify it with this resolution (the "Construction Fund") and shall be disbursed solely for the payment of Project costs (including reimbursement thereof), legal, fiscal and engineering costs incident thereto, interest during construction of the Project and for six (6) months thereafter, with the consent of Rural Development, and bond issuance costs. 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.

The proceeds of the Bonds shall be used first, to the extent permitted by Rural Development, to retire any outstanding Notes. To the extent that the proceeds of the Bonds are insufficient to retire the Notes, the Town shall apply other funds in an amount sufficient to fully retire the Notes. Any remaining proceeds of the Bonds, together with any grant funds received from Rural Development, shall be applied directly to the costs authorized herein or deposited to the Construction Fund. After the Project has been completed, any unspent Bond proceeds shall be used at the earliest practicable date for the prepayment of the Bonds as herein provided. All funds, including both loan and grant funds, provided by Rural Development for Project costs, but not needed to pay Project costs, will be considered to be Rural Development grant funds and returned to the Government Finance Office. If the amount of unused Rural Development funds exceeds Rural Development grant amount, the excess will be considered to be Rural Development loan funds and used to prepay the Bonds as provided above.

**Section 13. Federal Tax Matters.** The Bonds will be issued as federally tax-exempt bonds. At the Mayor's discretion, the Notes may be issued as federally tax-exempt obligations. The Town hereby covenants that it will not use, or permit the use of, any proceeds of the Bonds or Notes in a manner that would cause the Bonds or Notes (if applicable) to be subjected to treatment under Section 148 of the Code, and applicable regulations thereunder, as an "arbitrage bond". To that end, the Town shall comply with applicable regulations adopted under said Section 148. The Town further covenants with the registered owners from time to time of the Bonds and the Notes (if applicable) that it will, throughout the term of the Bonds and Notes and through the date that the final rebate, if any, must be made to the United States in accordance with Section 148 of the Code, comply with the provisions of Sections 103 and 141 through 150 of the Code and all regulations proposed and promulgated thereunder that must be satisfied in order that interest on the Bonds and Notes (if applicable) shall be and continue to be excluded from gross income for federal income tax purposes under Section 103 of the Code.

It is reasonably expected that the Town will reimburse itself for certain expenditures made by it in connection with the Project by issuing the Bonds and the Notes. This resolution shall be placed in the minutes of the Governing Body and shall be made available for inspection by the general public at the

office of the Governing Body. This resolution constitutes a declaration of official intent under Treas. Reg. §1.150-2.

The Governing Body hereby delegates to the Mayor the authority to designate the Bonds and/or the Notes as “qualified tax-exempt obligations,” as defined in Section 265 of the Code, to the extent the Mayor determines such designation to be advantageous to the Town and to the extent the Bonds and/or Notes are not deemed designated as such and may be designated as such.

The Mayor is authorized and directed, on behalf of the Town, to execute and deliver all such certificates and documents that may be required of the Town in order to comply with the provisions of this section.

**Section 14. Resolution a Contract.** The provisions of this resolution shall constitute a contract between the Town and the owner(s) of the Bonds and the Notes, and after the issuance of either the Bonds or Notes, 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 Bonds and Notes and interest due thereon shall have been paid in full.

**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 Bonds and, while any Notes are outstanding, the Notes.

**Section 16. Defeasance.** So long as Rural Development is the owner of the Bonds herein authorized, the Town shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Bonds herein authorized without immediately prepaying the Bonds.

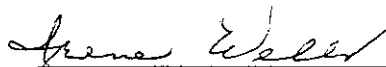
**Section 17. Compliance with Debt Management Policy.** The Governing Body hereby finds that the issuance of the Bonds and the Notes is consistent with the Town’s debt management policy.

**Section 18. 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 19. 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 7<sup>th</sup> day of March, 2017.

TOWN OF BLUFF CITY, TENNESSEE



Mayor

ATTEST:

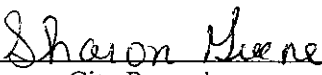
  
City Recorder

STATE OF TENNESSEE )

COUNTY OF SULLIVAN )

I, Sharon Greene, hereby certify that I am the duly qualified and acting City Recorder of the Town of Bluff City, Tennessee (the "Town") and, as such official, I further certify as follows: (1) that attached hereto is a true, correct and complete copy of a resolution adopted by the Board of Mayor and Aldermen of the Town at its March 7, 2017 meeting; and (2) that a quorum of the members of the Board of Mayor and Aldermen was present and acting throughout said meeting.

WITNESS my official signature and the seal of the Town, this 7<sup>th</sup> day of March, 2017.

  
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City Recorder

(SEAL)

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