

**STATE OF TENNESSEE
COUNTY OF HAMBLLEN
CORPORATION OF MORRISTOWN
OCTOBER 16, 2007**

The City Council for the City of Morristown, Hamblen County, Tennessee, met in regular session at the regular meeting place of the Council in the Morristown City Center at 4:00 p.m., Tuesday, October 16, 2007 with Honorable Mayor Barbara C. "Sami" Barile presiding and the following named Councilmembers present: Claude Jinks, Frank McGuffin, William Rooney, Kay Senter, Rick Trent and Mel Tucker.

Councilmember Jinks made a motion to approve the October 2, 2007 minutes as circulated; Councilmember McGuffin seconded the motion and all voted "aye".

Mayor Barile presented proclamations in recognition of Red Ribbon Week (10/22-26) and Give Kids Good Schools Week (10/15-21).

A public hearing was held on the following captioned Ordinance No. 3302. Councilmember McGuffin made a motion to adopt said Ordinance on second and final reading; Councilmember Tucker seconded the motion and upon roll call, all voted "aye".

**Ordinance No. 3302
Entitled an Ordinance to amend the Morristown
Municipal Code, Title 14, Chapter 2 – General
Zoning Provisions (Zoning Ordinance), Section
14-214 -Habitation of Rear Dwelling.**

Councilmember Senter made a motion to approve the contract for the Operation and Maintenance Services with Professional Services Group (Veolia Water) for the operation and maintenance of the Wastewater Treatment Plant. Councilmember Tucker seconded the motion and upon roll call, all voted "aye". {2 year contract with the option for 3 one-year extensions.}

Councilmember Jinks made a motion to approve the proposal from Lamar Dunn & Associates for a Sewer Rate Study in the amount of \$11,500. Councilmember Tucker seconded the motion and upon roll call, all voted "aye".

Councilmember Tucker made a motion to approve the following Resolution No. 44-07; Councilmember Jinks seconded the motion and upon roll call, all voted "aye".

Resolution No. 44-07

A Resolution authorizing one or more loans under one or more loan agreements between the City of Morristown, Tennessee and a Tennessee public building authority in an aggregate principal amount of not to exceed eighteen million dollars (\$18,000,000) and execution and delivery of one or more loan agreements and other documents relating to said borrowing; providing for the application of the proceeds of said borrowing and the payment of the city's obligations under the loan agreements; consenting to the assignment of the city's obligations under the loan agreements; and approving one or more swap agreements.

WHEREAS, cities in the State of Tennessee are authorized to finance certain public works Project by the issuance of bonds, notes or other obligations; and

WHEREAS, it is hereby determined by the City Council of the City of Morristown, Tennessee (the "City" or "Municipality") to be in the best interest of the City to finance the (i) construction and equipping of extensions and improvements outside the geographic boundaries of the Municipality to the cable television and internet system (the "Cable System") of the Municipality; (ii) acquisition of all property, real and personal, appurtenant to the foregoing; (iii) payment of legal, fiscal, administrative, architectural and engineering costs incident to the foregoing and incident to the indebtedness described herein; (iv) payment of capitalized interest during construction of the foregoing and for up to six months thereafter (collectively, the "Project"); and (v) reimbursement for prior expenditures for the foregoing, if any, and (vi) payment of costs of issuance and sale of the Bonds (as defined below) and the Loan Agreement (as defined below); and

WHEREAS, it has been determined to be in the best interest of the City to finance the Project through a program known as the Tennessee Local Government Alternative Loan Program (TNLOANSSM) underwritten by Morgan Keegan & Company, Inc. (the "Underwriter") through the issuance by a Tennessee Public Building Authority (the "Authority") established pursuant to the provisions of Tennessee Code Annotated Sections 12-10-101 et seq., as amended, (the "Act") of its Local Government Public Improvement Bonds (the "Bonds") in one or more series (each, a "Series") in the aggregate principal amount of not to exceed \$18,000,000 and the loan of the proceeds thereof to the City pursuant to one or more loan agreements between the Authority and the City (each a "Loan Agreement"); and

WHEREAS, an initial resolution proposing one or more loans from the Authority in a principal amount not to exceed \$18,000,000, the proceeds of which shall be used for the purposes hereinabove set forth, has been adopted and together with the notice required by Section 12-10-115 and Section 9-21-206, Tennessee Code Annotated, as amended, will be published as required by law; and

WHEREAS, the Municipality shall pledge a tax authorized by Section 12-10-115, Tennessee Code Annotated, as amended, to be levied annually to the repayment of the amounts due under each Loan Agreement authorized herein; and

WHEREAS, the Morristown Utilities Commission (the "Commission") operates the Cable System on behalf of the City; and

WHEREAS, the Commission desires to construct extensions and improvements to the Cable System in areas of Hamblen County lying outside the geographic boundaries of the City; and

WHEREAS, the Hamblen County Commission has granted consent for such service in Hamblen County lying outside the geographic boundaries of the City; and

WHEREAS, the Commission has requested that the City Council of the City of Morristown authorize the issuance of debt obligations in an amount not to exceed \$18,000,000 for funding such extensions and improvements to the Cable System, of which not to exceed \$8,000,000 may be related to a Series of Bonds, the interest on which may be included in gross income of the holders thereof for federal income tax purposes; and

WHEREAS, to provide for the financing of the Project, each Loan Agreement shall be additionally payable from, but not secured by, the revenues derived from the operation of the Cable System, subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the Cable System and to any prior pledge of such revenues in favor of any obligations of the Municipality with a lien on such revenues; and

WHEREAS, the Bonds are to be secured by and contain such terms and provisions as are set forth in an Indenture of Trust, as supplemented (the "Indenture") entered into between the Authority and Regions Bank or such other trustee designated by the Authority; and

WHEREAS, in order to reduce its exposure to changes in interest rates, the Municipality has requested that the Authority enter into one or more Swap Agreements (as defined below and in the Loan Agreement) with respect to the Loan Agreements authorized herein resulting in payment by the Authority, from the Municipality under each Loan Agreement, of a fixed rate of interest and a variable rate of interest to be paid by the Swap Counterparty; and
WHEREAS, the Funding Board of the State (the "Funding Board") has issued guidelines (the "Guidelines") relating to interest rate swap agreements; and

WHEREAS, the Municipality has submitted a request for a report of compliance to the State Director as required by the Guidelines and by Tennessee Code Annotated,

Section 12-10-111, which request is attached hereto as Exhibit A and has been filed with the City Administrator/City Recorder and shall be included in the record of this meeting; and

WHEREAS, the State Director has issued his report of compliance with respect to the proposed Swap Agreements attached hereto as Exhibit B, which report has been filed with the City Administrator/City Recorder and shall be included in the record of this meeting; and

WHEREAS, there has been presented to this meeting the form of the Loan Agreement, which appears to be in appropriate form and is an appropriate instrument to be executed and delivered for the purposes intended and the form of the following documents: (1) International Swap Dealers Association, Inc. ("ISDA") Master Agreement; (2) Schedule to Master Agreement; (3) Confirmation for a rate swap transaction; (4) ISDA Credit Support Annex; (5) Financial Guaranty Insurance Policy for Swap Agreement; (6) Financial Guaranty Insurance Policy for Swap Agreement (Counterparty 4 Payment Policy); and (7) Replacement Transaction Agreement (collectively, or a portion thereof, a "Swap Agreement"); and

WHEREAS, for the purposes of authorizing one or more loans from an Authority, the execution and delivery of one or more Loan Agreements by the City, the pledging of the City's full faith and credit, approving the assignment of such pledge to secure each related Series of Bonds, and authorizing the execution of such documents and certificates as shall be necessary to consummate the sale and delivery of each Series of Bonds, and approving the terms and conditions of one or more Swap Agreements with respect to the Bonds authorized herein subject to compliance with the Guidelines, the City Council of the City adopts this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Morristown, Tennessee, as follows:

Section 1. Approval of Loans. (a) For the purpose of providing funds to finance the costs of the Project and to pay costs incident to the issuance and sale of each Series of Bonds and each related Loan Agreement, and make and receive the loans herein authorized, there is hereby authorized one or more loans (each, a "Loan") from the Authority in an aggregate principal amount not to exceed \$18,000,000.

(b) One or more Series of Bonds may be issued initially either as bonds bearing interest as an auction rate security ("ARS") or variable rate bonds with the interest rate established either (i) daily, weekly or short-term period (the

"Daily Rate", "Weekly Rate" and "Short-Term Period", respectively, as defined in the Loan Agreement) at the then market rate for obligations with similar credit quality, all as provided in the Indenture and each Loan Agreement, or (ii) at a Medium Term Rate (as defined in the Loan Agreement) if the Municipality or the Authority enters into an interest rate swap agreement or interest rate hedge agreement (a "Swap Agreement") within 365 days of issuance of a related Series of Bonds with respect to all or a portion of a Loan Agreement or related Series of Bonds under which Swap Agreement a variable rate shall be paid by the Municipality and/or the Authority resulting in variable rate payments substantially similar to an interest rate established daily, weekly or short-term in the manner set forth in Section 6 herein or in any resolution subsequently adopted and as authorized by law, all as provided in the Indenture and the Loan Agreement. The Mayor and the City Administrator/City Recorder are authorized to enter into one or more Loan Agreements bearing interest at a variable rate of interest, including ARS, as they shall determine is in furtherance of the objectives of the Municipality. The Municipality shall make payments of interest in the amounts and on the dates as set forth in each Loan Agreement and the Indenture, at a rate or rates not in excess of the maximum rate of interest permitted by applicable law. Each Loan shall be payable as to principal over a period not to exceed thirty (30) years from the date of execution of each Loan Agreement. The final dates, original interest rate mode (as set forth above), and amortization of principal amounts of each Loan may be established by the Mayor and the City Administrator/City Recorder as shall be determined by the Mayor and the City Administrator/City Recorder to be in the best interests of the Municipality, in accordance with the terms of this resolution and each Loan Agreement, taking into consideration the present debt structure of the Municipality and projected funds available for payment of debt service.

(c) The Mayor and the City Administrator/City Recorder, in consultation with the Commission, may determine that an amount not to exceed \$8,000,000 of such obligations may be related to a Series of Bonds, the interest on which may be included in gross income of the holders thereof for federal income tax purposes.

Section 2. Interest Rate Conversion. At any time while any Loan remains outstanding, each Loan and the Series of Bonds issued in connection therewith, may, in whole or in part, to the extent permitted by applicable law, be converted from one Rate Period (as defined in the Loan Agreement) to the other interest Rate Periods permitted and as provided in each related Loan Agreement and in the Indenture (which conversion may include such put features relative to any Series of the Bonds as the Indenture may permit) at the direction of the Mayor and City Administrator/City Recorder and no further action shall be required by the City Council.

Section 3. Approval of Loan Agreements. The form, terms and provisions of each Loan Agreement which have been presented at this meeting are hereby

approved and the Mayor and City Administrator/City Recorder are hereby authorized, empowered and directed to execute and deliver each Loan Agreement in the name and on behalf of the City. Each Loan Agreement is to be in substantially the form now before this meeting and hereby approved, or with such changes therein as shall be approved by the Mayor and the City Administrator/City Recorder, their execution thereof to constitute conclusive evidence of their approval of any and all changes or revisions therein. From and after the execution and delivery of each Loan Agreement, the Mayor and City Administrator/City Recorder are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of each Loan Agreement as executed. To the extent any Loan Agreement can be designated as a "qualified tax-exempt obligation" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), it shall be so designated in the Loan Agreement.

Section 4. Pledge of Taxes. The City hereby covenants and agrees, through its governing body, to annually levy and collect a tax upon all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay when due the annual amounts payable by the City under each Loan Agreement as and when they become due and payable and to pay any expenses of maintaining and operating the Project required to be paid by the City under the terms of each Loan Agreement and, for such purposes, the City hereby pledges such tax and the full faith and credit of the City to such payments, provided, however, that the tax hereinabove described will not be required to be levied or, if levied, may be proportionately reduced to the extent of funds appropriated by the governing body of the City to the payment of the amounts described above from other revenues of the City, including revenues derived from the operation of the Cable System subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the Cable System and to a prior pledge, if any, of such revenues in favor of any outstanding obligations with a lien on the revenues of the Cable System. Such tax, to the extent levied, shall be assessed, levied, collected and paid in like manner as other taxes of the City. Such tax shall not be included within any statutory or other limitation of rate or amount for the City but shall be excluded therefrom and be in addition thereto and in excess thereof, notwithstanding and without regard to the prohibitions, restrictions or requirements of any other law, whether public or private. Any amounts payable under each Loan Agreement falling due at any time when there are insufficient funds from the tax levy on hand shall be paid from current funds of the City and reimbursement therefore should be made out of the taxes hereby provided to be levied when the same shall have been collected. Each Loan Agreement shall be additionally payable from, but not secured by, the revenues to be derived from the operation of the Cable System, subject to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring the Cable System and to any pledges of such revenues in favor of other obligations of the City.

Section 5. Approval of Bonds in Connection with Loan Agreement. For the purpose of providing funds to make each Loan to the City, as provided herein and in each Loan Agreement, and to pay legal, fiscal, and administrative costs incident thereto including costs incident to the issuance and sale of each Series of Bonds related to a Loan Agreement, the issuance and sale of each Series of Bonds by the Authority in connection with a Loan Agreement is hereby approved and allocation of such Series of Bonds to the City for purposes of Section 265 of the Code is hereby accepted.

Section 6. Approval of Swap Agreements in Connection with Bonds and Loan Agreements Authorized Hereunder. (a) Subject to compliance with the applicable provisions of the laws of the State of Tennessee and the guidelines of the Funding Board of the State of Tennessee, the Municipality hereby authorizes and approves the entering into and the execution and delivery by the Authority of one or more Swap Agreements in connection with all or any portion of a Series of Bonds and related Loan Agreement, in substantially the form of the International Swap Dealers Association, Inc. Swap Agreement, the form of which is presented to this meeting, with one or more financial institutions whose debt or claims-paying ability is rated, or is, collateralized, guaranteed or insured by an entity whose debt or claims-paying ability is rated "A" or better by Standard & Poor's or Moody's Investors Service (the "Swap Counterparty") in a notional amount which in the aggregate does not exceed the principal amount of the portion of the Series of Bonds to which the Loan Agreement and the Swap Agreement relate declining in accordance with the amortization schedule for such Series of Bonds and Loan Agreement relating to such Series of Bonds, having a term not longer than the final maturity or the portion of the principal to which it relates of the Series of Bonds to which it relates and related the Loan Agreement, providing for a fixed payment based upon a rate not to exceed 6% per annum rate payable by the Authority on the Series of Bonds and, consequently, by the Municipality under the related Loan Agreement, as determined by the Mayor and City Administrator/City Recorder and/or the Chairman or Vice-Chairman of the Authority and variable rate payments by the Swap Counterparty based on (i) BMA Municipal Swap Index, (ii) the rate on the Series of Bonds to which the Swap Agreement relates (iii) the rate on the Series of Bonds to which the Swap Agreement relates, plus Additional Payments (as defined in the Indenture), (iv) LIBOR or a percentage thereof, (v) such other index or method to be approved by the Mayor and City Administrator/City Recorder and/or the Chairman or Vice-Chairman of the Authority. Subject to compliance with the applicable provisions of the laws of the State of Tennessee and the guidelines of the Funding Board of the State of Tennessee and the report of the State Director of Local Finance, the Mayor and City Administrator/ City Recorder on behalf of the City Council are hereby authorized, empowered and directed hereunder to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Swap Agreement as it relates to a Series of Bonds issued in connection with a Loan Agreement. The execution of the related Loan Agreement and delivery of a certificate, which may be the confirmation of

the Swap Agreement, approving the terms and conditions of the Swap Agreement by the Mayor and City Administrator/City Recorder shall constitute conclusive evidence of their approval of the final terms and conditions of the Swap Agreement and, to the extent permitted by applicable law, no further action shall be required by the City Council of the Municipality.

(b) Morgan Keegan & Company, Inc. ("Morgan Keegan") and/or TN-LOANS Program Administrators, Inc. (the "Administrator") are hereby authorized to negotiate the terms and conditions of each Swap Agreement in conformance with the provisions of this resolution, subject to confirmation by the Mayor and City Administrator/City Clerk.

Section 7. Disposition of Proceeds. An amount necessary to pay costs of issuance of each Loan Agreement and related Series of Bonds shall be deposited to the Cost of Issuance Fund of the Borrower held by the Trustee under the Indenture.

All remaining proceeds shall be held in the Loan Fund of the Borrower and used for the Project.

Section 8. Official Statement. The Mayor and the City Administrator/City Recorder, or either of them, working with the Underwriter and the Authority, are hereby authorized and directed to provide for the preparation and distribution, which may include electronic distribution, of a Preliminary Official Statement describing each Series of Bonds related to a Loan Agreement of the City. After the Bonds have been sold, the Mayor and the City Administrator/City Recorder, or either of them, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The Mayor and the City Administrator/City Recorder, or either of them, shall arrange for the delivery to the Underwriter of a reasonable number of copies of the Official Statement within seven business days after sale of a Series of Bonds for delivery, by the Underwriter, to each potential investor requesting a copy of the Official Statement and to each person to whom the Underwriter initially sells the Bonds.

The Mayor and the City Administrator/City Recorder, or either of them, are authorized, on behalf of the City, as to the information relating to the City and the Series of Bonds related to the City's Loan Agreement, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12(b)(1), except for the omission in the Preliminary Official Statement of certain pricing and other information allowed to be omitted pursuant to such Rule 15c2-12(b)(1). The distribution of the Preliminary Official Statement and the Official Statement in final form shall be conclusive evidence that each has been deemed in final form as of its date by

the City except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 8. Continuing Disclosure. The City hereby covenants and agrees that it will provide annual financial information and material event notices if and as required by Rule 15c2-12 of the Securities Exchange Commission for any Series of Bonds issued for a Loan Agreement of the City. The Mayor is authorized to execute an agreement for the benefit of and enforceable by the owners of such Series of Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of the City to comply with the undertaking herein described and to be detailed in said closing agreement, shall not be a default hereunder, but any such failure shall entitle the owner or owners of any of the Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause the City to comply with their undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

Section 9. Consent to Assignment. The City hereby consents to the assignment pursuant to the Indenture of all the Authority's right, title and interest under each Loan Agreement as security for the Series of Bonds to which such Loan Agreement relates.

Section 10. Additional Authorizations. All acts and doings of the Mayor and the City Administrator/City Recorder, and any other representative or officer of the City which are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of each Series of Bonds and the execution and delivery of each Loan Agreement and each Loan Swap Agreement as set forth herein shall be and same hereby are in all respects, approved and confirmed.

Section 11. Multiple Borrowings. The Loans authorized in Section 1 hereof, the Loan Agreements authorized in Section 3 hereof and the Bonds approved in Section 5 hereof may be executed and delivered in combination with other Loans, Loan Agreements and Bonds hereafter authorized by the City through the TN-LOANSSM Program.

Section 12. 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. The parties agree that in any dispute regarding this Resolution, the venue of such dispute shall be either the state courts located in Washington County, Tennessee or the United States federal courts located in Greene County, Tennessee, and in no other form or locality.

Section 13. Reimbursement. This resolution shall serve as a notice of intent to reimburse for certain expenditures for up to \$5,000,000 as defined in accordance with the requirements of final regulations applicable thereto as promulgated by the United States Department of Treasury.

Section 14. 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 16th day of October 2007.

Barbara C. "Sami" Barile, Mayor

ATTEST:

City Administrator/City Recorder

Councilmember Rooney made a motion to approve the following captioned Ordinance No. 3304 on first reading and schedule a public hearing relative to final passage of said Ordinance for November 6, 2007. Councilmember Trent seconded the motion and upon roll call, all voted "aye".

**Ordinance No. 3304
Entitled an Ordinance to annex certain territory and to incorporate same within the corporate boundaries of the City of Morristown, Tennessee. (Annexation and Zoning Classification of the MPLG property located along Enka Highway at Lowland.)**

Councilmember Jinks made a motion to defer action on the following captioned Ordinance No. 3305 until the November 6, 2007 Council meeting. Councilmember McGuffin seconded the motion and upon roll call, all voted "aye".

**Ordinance No. 3305
Entitled an Ordinance to annex certain territory and to incorporate same within the corporate boundaries of the City of Morristown, Tennessee. (Annexation and Zoning Classification of the Liberty Fibers Corporation property located along Enka Highway at Lowland.)**

Councilmember Tucker made a motion to approve the following captioned Ordinance No. 3306 on first reading and schedule a public hearing relative to final passage of said Ordinance for November 6, 2007. Councilmember Jinks seconded the motion and upon roll call, all voted "aye".

**Ordinance No. 3306
Entitled an Ordinance to amend the Municipal Code
of the City of Morristown, Tennessee, Appendix B.
(Rezoning of a portion of Olde Towne East – East 2nd,
3rd & 4th North and James, Daisy, Franklin &
Anderson Streets.)**

Councilmember Jinks made a motion to approve the following captioned Ordinance No. 3307 on first reading and schedule a public hearing relative to final passage of said Ordinance for November 6, 2007. Councilmember Tucker seconded the motion and upon roll call, all voted "aye". {The right-of-way description will be revised prior to the public hearing and final reading in order to reflect closing the area as described by Mr. Clarence Thompson, a representative from Rock of Ages Church.}

**Ordinance No. 3307
Entitled an Ordinance to close and vacate certain rights-
of-way within the City of Morristown. (Right-of-Way
Closure: West 13th North Street.)**

Councilmember Jinks made a motion to approve the following captioned Ordinance No. 3303 on second and final reading; Councilmember Senter seconded the motion and upon roll call, all voted "aye".

**Ordinance No. 3303
Entitled an Ordinance to amend the Municipal Code
of the City of Morristown by confirming the 4:00 p.m.
meeting time of the regular meetings of the City
Council for the City of Morristown, Tennessee.**

Mayor Barile adjourned the October 16, 2007 City Council meeting.

Mayor

ATTEST:

City Administrator