

**STATE OF TENNESSEE  
COUNTY OF HAMBLLEN  
CORPORATION OF MORRISTOWN  
FEBRUARY 28, 2008**

The City Council for the City of Morristown, Hamblen County, Tennessee, met in "special called" session at the regular meeting place of the Council in the Morristown City Center at 4:00 p.m., Thursday, February 28, 2008 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 Trent made a motion to adopt the following Resolution No. 08-08 authorizing the issuance of \$4,000,000 in Interest Bearing Capital Outlay Notes to Suntrust Bank at the interest rate of 3.13% for a period of six months; Councilmember Senter seconded the motion and upon roll call, all voted "aye".

**RESOLUTION NO. 08-08  
RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO  
EXCEED \$4,000,000 INTEREST BEARING CAPITAL  
OUTLAY NOTES OF THE CITY OF MORRISTOWN,  
TENNESSEE, PROVIDING THE DETAILS THEREOF,  
AUTHORIZING THE SALE AND APPLICATION OF  
PROCEEDS THEREOF, AND PROVIDING FOR THE  
PAYMENT OF PRINCIPAL THEREOF AND INTEREST  
THEREON.**

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**WHEREAS**, this City Council of the City of Morristown, Tennessee has determined that it is in the best interests of the City of Morristown, Tennessee (the City) and its citizens that the City issue not to exceed \$4,000,000 of interest bearing capital outlay notes for the purpose of providing funds for the: (i) acquisition of land for and the construction, improvement, renovation, equipping and/or repair of roads, bridges, streets, highways, sidewalks and related lighting, road department facilities, parks and recreation department facilities, public works department facilities and other public buildings, and the acquisition of related vehicles and equipment including, but not limited to, lighting, computers and other technological equipment (the "Public Improvement Projects"); (ii) construction and equipping of extensions and improvements (the "Water and Sewer Project") to the water and sewer system (the "Water and Sewer System") of the City; (iii) acquisition of all property, real and personal, appurtenant to the Public Improvement Projects and the Water and Sewer Project (collectively, the "Projects"); (iv) payment of legal, fiscal, administrative, architectural and engineering costs incident to the Projects; (v) payment of capitalized interest during construction of the Projects and for up to six months thereafter; and, (vii) payment of the costs and expenses associated with the issuance of the Notes; and

**WHEREAS**, the City is authorized by the Local Government Public Obligations Act of 1986, as amended (the "Act"), currently codified in Title 9, Chapter 21, *Tennessee Code Annotated*, and more particularly Parts 1, 4 and 6 thereof, after approval by the state director of local finance, to issue and sell interest-bearing capital outlay notes for all purposes for which the City's notes can be issued, including the aforesaid purposes; and,

**WHEREAS**, this Board now wishes to authorize and approve the issuance and sale of interest-bearing capital outlay notes of the City for such

purposes, to provide the details of said notes and to levy and pledge taxes and otherwise make provision for the payment thereof, and to authorize, approve, ratify and confirm the execution and delivery of all documents, certificates and agreements and the taking of all action by officials of the City required or reasonably necessary with respect thereto.

**NOW, THEREFORE, BE IT HEREBY RESOLVED** by the City Council of the City of Morristown, Tennessee, in called session assembled as the city legislative body, as follows:

**Section 1. Definitions.** For all purposes of this Resolution, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in this Section shall have the meanings set forth below, and shall include the plural as well as the singular.

"Act" shall mean the Local Government Public Obligations Act of 1986, as amended, currently codified as Title 9, Chapter 21, Tennessee Code Annotated, and more particularly parts 1, 4, and 6 thereof.

"Bond Counsel" shall mean any nationally recognized attorney or firm having a favorable reputation with respect to matters involving the issuance of obligations of state and local governments and engaged by the City.

"Capital Outlay Notes" or "Notes" shall mean one or more of the Capital Outlay Notes, Series 2008 authorized to be issued by the terms of this Resolution.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"City" shall mean the City of Morristown, Tennessee.

"City Recorder" shall mean, at any relevant time, the then incumbent City Recorder of the City or the successor to the powers of such office.

"Mayor" shall mean, at any relevant time, the then incumbent Mayor of the City or such other person succeeding to his or her powers regardless of by what title known.

"Financial Advisor" shall mean Morgan Keegan and Company, Inc., Knoxville, Tennessee.

"Governing Body" shall mean the City Council of the City, acting as the legislative body of the City, or such other council, board, commission or body, by whatever name known, which shall succeed to its power.

"Notes" shall mean the City's Capital Outlay Notes, Series 2008, authorized by this Resolution to be issued in an aggregate principal amount not to exceed \$4,000,000.

"Note Register" shall mean the books of the City kept by the Note Registrar to evidence the registration and transfer of the Notes.

"Note Registrar" shall mean such bank in the State of Tennessee or City office as shall hereafter be designated by the Mayor, or a successor designated as Note Registrar hereunder.

"Resolution" shall mean this Resolution as adopted by the Governing Body of the City.

"State" shall mean the State of Tennessee.

**Section 2. Authority.** The Notes herein authorized shall be issued pursuant to the Act, particularly Sections 9-21-601 to 9-21-612, inclusive of *Tennessee Code Annotated*, as amended, and other applicable provisions of law.

**Section 3. Authorization and Terms of Notes.** There are hereby authorized to be issued capital outlay notes of the City, in one or more series, in an aggregate principal amount not to exceed \$4,000,000 of interest bearing capital outlay notes for the purpose of financing and paying costs associated with the: (i) acquisition of land for and the construction, improvement, renovation, equipping and/or repair of roads, bridges, streets, highways, sidewalks and related lighting, road department facilities, parks and recreation department facilities, public works department facilities and other public buildings, and the acquisition of related vehicles and equipment including, but not limited to, lighting, computers and other technological equipment (the "Public Improvement Projects"); (ii) construction and equipping of extensions and improvements (the "Water and Sewer Project") to the water and sewer system (the "Water and Sewer System") of the City; (iii) acquisition of all property, real and personal, appurtenant to the Public Improvement Projects and the Water and Sewer Project (collectively, the "Projects"); (iv) payment of legal, fiscal, administrative, architectural and engineering costs incident to the Projects; (v) payment of capitalized interest during construction of the Projects and for up to six months thereafter; and, (vi) payment of the costs and expenses associated with the issuance of the Notes.

Subject to adjustment as provided in Section 12 hereof, each Note shall be designated "Capital Outlay Note, Series 2008." The Notes shall be numbered consecutively from one upwards and shall be dated as of the date or dates of their respective delivery and sale or such other date(s) determined by the Mayor. No Note issued pursuant to the authority hereof shall mature later than twelve years from and after its date, except upon the prior approval of the State Director of Local Finance and as provided by law. The Notes shall be payable as to principal serially or at one or more term maturities, as determined by the Mayor, and as to interest semiannually on the first day of each June and December, commencing on the first such interest payment date after the date of sale of the respective Notes upon which such interest is payable. The Notes shall be issued in fully registered form and in minimum denominations of \$1,000 and integral multiples thereof or in such other minimum denominations as the Mayor shall determine.

**Section 4. Interest; Payment Provisions.** The Notes shall bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, at such rate or rates as may be agreed upon by the Mayor and the purchaser of the Notes, but not to exceed the statutory limit allowed by the laws of the State (computed upon the basis of a 360-day year of twelve 30-day months), being payable semi-annually on June 1 and December 1 of each year, commencing on the first such interest payment date after the date of sale of the respective Notes upon which such interest is payable, and continuing thereafter until the principal amount shall have been fully paid. Interest on each Note shall be paid by check or warrant of the City to the person in whose name such Note is registered at the close of business on the 15th day next preceding the interest payment date (the "Regular Record Date"). The principal of and premium (if any) on the Notes shall be payable in lawful money of the United States of America at the principal corporate trust office of the Note Registrar.

Any interest on any Note which is payable but is not punctually paid or duly provided for on any interest payment date shall forthwith cease to be payable to the registered owner thereof on the relevant Regular Record Date and, in lieu thereof, shall be paid to the persons in whose names the Note is registered at the close of business on a Special Record Date to be established by the Note Registrar upon receipt from the City of the money for the payment of the same, in whole or in part. Such Special Record Date shall be fixed by the Note Registrar not less than ten (10) days after the receipt by the Note Registrar of the moneys for such payment and shall be a date which is not less than ten (10) nor more than fifteen (15) days prior to the date on which payment is to be made to the registered owners of the Notes. The Note Registrar shall, in the name and at the sole expense of the City, promptly cause notice of the proposed payment of such defaulted interest and the Special Record Date therefor to be mailed, first-class postage prepaid, not less than ten (10) days prior to such Special Record Date, to the City and to each registered owner of the Notes at the address appearing in the Note Register as of the date of such notice. Nothing contained in this paragraph or in the Notes shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the City to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Notes when due.

**Section 5. Execution; Authentication.** The Notes shall be executed on behalf of the City with the manual or facsimile signature of its Mayor and attested with the manual or facsimile signature of its City Recorder and shall have impressed or imprinted thereon the corporate seal of the City or a facsimile thereof. In case any officer whose signature shall appear on any Note shall cease to be such officer before the delivery of such Note, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery.

All Notes shall have thereon a certificate of authentication substantially in the form hereinafter set forth duly executed by the Note Registrar as authenticating agent of the City and showing the date of authentication. No Note shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until such certificate of authentication shall have been fully executed by the Note Registrar by manual signature, and such certificate of authentication upon any such Note shall be conclusive evidence that such Note has been authenticated and delivered under this Resolution. The certificate of authentication on any Note shall be deemed to have been executed by the Note Registrar if signed by an authorized officer of the Note Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Notes issued hereunder.

**Section 6. Registration of Notes; Transfer; Persons Treated as Owners.** The City shall cause books (the "Note Register") for the registration and for the transfer of the Notes as provided in this Resolution to be kept at the office of the Note Registrar, which is hereby constituted and appointed the registrar of the City. Upon surrender for transfer of any Note at the office of the Note Registrar duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Note Registrar duly executed by, the registered owner or his attorney duly authorized in writing, the City shall execute and the Note Registrar shall authenticate, date and deliver in the name of the transferee or transferees a new fully registered Note or Notes of the same maturity or authorized denominations, for a like aggregate principal amount. Any fully registered Note or Notes may be exchanged at said office of the Note Registrar for a like aggregate principal amount of Note or Notes of the same maturity of other authorized denominations. The execution by the City of any fully registered Note shall constitute full and due authorization of such Note and the Note Registrar shall thereby be authorized to authenticate, date and

deliver such Note. The Note Registrar shall not be required to transfer or exchange any Note during the period of fifteen days next preceding any interest payment date on such Note, nor to transfer or exchange any Note after notice calling such Note for redemption has been mailed nor during the period of fifteen days next preceding mailing of a notice of redemption of any Notes.

The person in whose name any Note shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal of, premium (if any) or interest on any Note shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid. No service charge shall be made for any transfer or exchange of Notes, but the City or the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes except in the case of issuance of a Note or Notes for the unredeemed portion of a Note surrendered for redemption.

**Section 7. Redemption.** The Notes or specific maturities thereof shall be subject to redemption prior to maturity at any time at the option of the City as a whole, or in part in integral multiples of \$1,000, and in any order of maturity selected by the City (less than all of the Notes of a single maturity to be selected by the Note Registrar) at a redemption price equal to the principal amount thereof and accrued interest to the date of redemption; provided, that with the consent of the original purchaser of any Note, the Mayor may determine at the time of sale thereof that the Notes shall not be subject to redemption or may determine an alternative redemption date or dates other than that specified above.

The Notes shall be redeemed only in the principal amount of \$1,000 each and integral multiples thereof. The City shall, at least 45 days prior to the redemption date (unless a shorter notice shall be satisfactory to the Note Registrar) notify the Note Registrar of such redemption date and of the principal amount of Notes to be redeemed. For purposes of any redemption of less than all of the outstanding Notes of a single maturity, the particular Notes or portions of Notes to be redeemed shall be selected not more than 60 days prior to the redemption date by the Note Registrar from the outstanding Notes of the longest maturity then outstanding by such method as the Note Registrar shall deem fair and appropriate, and which may provide for the selection for redemption of Notes or portions of any Note in principal amounts of \$1,000 and integral multiples thereof. The Note Registrar shall promptly notify the City in writing of the Notes or portions of Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed.

**Section 8. Redemption Procedure.** Unless waived by any holder of Notes to be redeemed, notice of the call for any such redemption shall be given by the Note Registrar on behalf of the City by mailing the redemption notice by first class mail at least thirty days and not more than sixty days prior to the date fixed for redemption to the registered owner of the Note or Notes to be redeemed at the address shown on the Note Registrar or at such other address as is furnished in writing by such registered owner to the Note Registrar.

All notices of redemption shall state:

- (1) the redemption date,
- (2) the redemption price,
- (3) if less than all outstanding Notes are to be redeemed, the identification (and, in the case of partial redemption, the

respective principal amounts) of the Notes to be redeemed,

- (4) that on the redemption date the redemption price will become due and payable upon each such Note or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (5) the place where such Notes are to be surrendered for payment of the redemption price, which place of payment shall be the office of the Note Registrar.

On or prior to any redemption date, the City shall deposit with the Note Registrar an amount of money sufficient to pay the redemption price of all the Notes or portions of Notes which are to be redeemed on that date.

Notice of redemption having been given as aforesaid, the Notes or portions of Notes so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Notes or portions of Notes shall cease to bear interest. Upon surrender of such Notes for redemption in accordance with said notice, such Notes shall be paid by the Note Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Note, there shall be prepared for the registered owner a new Note or Notes of the same maturity in the amount of the unpaid principal. All Notes which have been redeemed shall not be reissued but rather shall, after the time provided by the Act be called and destroyed by the Note Registrar. Neither failure to mail any notice of redemption nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Notes for which proper notice was given.

**Section 9. Form of Notes.** The Notes, the certificate of authentication to be endorsed thereon and the form of assignment are all to be in substantially the following forms with necessary and appropriate variations, omissions and insertions as permitted or required by this Resolution:

**UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
CITY OF MORRISTOWN  
CAPITAL OUTLAY NOTE  
SERIES 2008**

Registered No. \_\_\_\_\_ Registered Amount: \$ \_\_\_\_\_

Dated Date                      Rate of Interest                      Maturity Date

CUSIP No. Registered Owner:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS: That the City of Morristown, Tennessee (the "City"), organized and existing under the laws of the State of Tennessee, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner hereinabove identified, or registered assigns as hereinafter provided, on the Maturity Date hereinabove identified, the Principal Amount hereinabove identified and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such principal amount from the date of this Note or from the most recent interest payment date to which interest has been

paid at the Rate of Interest per annum hereinabove set forth on June 1 and December 1 of each year commencing \_\_\_1, 20\_\_\_ until said principal sum is paid, except as the p

Both principal of and premium (if any) on this Note are payable in lawful money of the United State of America at the principal corporate trust office of \_\_\_\_\_, Tennessee, as note registrar (the "Note Registrar") and as paying agent. Payment of each installment of interest shall be made by the City to the registered owner hereof who shall appear on the registration books of the City maintained by the Note Registrar at the close of business on the 15th day next preceding the interest payment date (the "Regular Record Date") and shall be paid by check or draft of the City mailed to such registered owner at his address as it appears on such registration books or at such other address as may be furnished in writing by such registered owner to the Note Registrar. Interest payable on this Note which is not punctually paid or duly provided for on any interest payment date shall forthwith cease to be payable to the registered owner hereof on the Regular Record Date and, in lieu thereof, shall be paid to the owner in whose name this Note is registered at the close of business on a Special Record Date established by the Note Registrar as provided in the resolution authorizing the issuance of this Note.

This Note is one of an issue of Notes aggregating the principal amount of not to exceed \$4,000,000 (the "Notes") issued under the authority of a resolution adopted by the City Council of the City of Morristown on February 28, 2008 (the "Resolution") and in full compliance with the Constitution and Statutes of the State of Tennessee, including Sections 9-21-601 to 9-21-610, inclusive, *Tennessee Code Annotated*, for the purpose of financing and paying costs associated with the: (i) acquisition of land for and the construction, improvement, renovation, equipping and/or repair of roads, bridges, streets, highways, sidewalks and related lighting, road department facilities, parks and recreation department facilities, public works department facilities and other public buildings, and the acquisition of related vehicles and equipment including, but not limited to, lighting, computers and other technological equipment (the "Public Improvement Projects"); (ii) construction and equipping of extensions and improvements (the "Water and Sewer Project") to the water and sewer system (the "Water and Sewer System") of the City; (iii) acquisition of all property, real and personal, appurtenant to the Public Improvement Projects and the Water and Sewer Project (collectively, the "Projects"); (iv) payment of legal, fiscal, administrative, architectural and engineering costs incident to the Projects; (v) payment of capitalized interest during construction of the Projects and for up to six months thereafter; and, (vi) payment of the costs and expenses associated with the issuance of the Notes.

Notes of the issue of which this Note is one are subject to redemption prior to maturity at any time thereafter at the option of the City as a whole, or in part in integral multiples of \$1,000 in any order to be selected by the Note Registrar in such manner as it shall deem fair and appropriate) at the principal amount thereof and accrued interest to the date of redemption.

Notice of any such redemption shall be sent by first class mail not less than thirty days nor more than sixty days prior to the date fixed for redemption to the registered owner of each Note to be redeemed (in whole or in part) at the address shown on the registration books of the City maintained by the Note Registrar or at such other address as is furnished in writing by such registered owner to the Note Registrar. When so called for redemption, this Note, or the portion thereof being so called for redemption, will cease to bear interest on the specified redemption date, provided funds for redemption are on deposit

at the place of payment at that time, and shall not be deemed to be outstanding.

This Note is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the office of the Note Registrar, but only in the manner, subject to the limitations and upon payment of the charges provided in the authorizing resolution, and upon surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations of the same maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Notes are issued in fully registered form in minimum denominations of \$1,000 each and in \$1,000 multiples thereof. This Note may be exchanged at the office of the Note Registrar for a like aggregate principal amount of Notes of the same maturity of other authorized denominations, upon the terms set forth in the Resolution.

The City and the Note Registrar may deem and treat the registered owner as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof, premium, if any, hereon and interest due hereon and for all other purposes and neither the City nor the Note Registrar shall be affected by any notice to the contrary.

The full faith, credit and resources of the City are hereby pledged for the payment of the principal of and interest on this Note and the issue of which it is a part as the same respectively become due and for the levy and collection of sufficient ad valorem taxes required by law to be levied on all taxable property within the corporate limits of the City to the extent necessary funds therefor are not available from other sources. To the extent that moneys are actually on hand for the payment of principal of and interest on the Notes, the ad valorem taxes hereinabove provided for may be reduced.

It is hereby certified, recited and declared that all acts, conditions and things required to be done, exist, happen and be performed precedent to and in the issuance of this Note have been done, have existed, have happened and have been performed in regular form and manner as required by the Constitution and Statutes of the State of Tennessee; that this Note, together with all other indebtedness of the City, does not exceed any limitation prescribed by law; and that provision has been made for the levy and collection of a direct annual tax, in addition to all other taxes, on all taxable property in the City sufficient to pay the interest hereon as the same falls due and for the payment of the principal hereof at maturity.

This Note and the income therefrom are exempt from all state, county and municipal taxation in the State of Tennessee except inheritance, transfer and estate taxes, and except as otherwise provided in said code.

No recourse shall be had for the payment of this Note or the premium, if any, and interest thereon or for any claim based thereon or arising under the Resolution against any member of the City Council of the City of Morristown or any officer or official of the City of Morristown in his or her individual capacity.

The covenants, agreements and pledges entered into, created or imposed pursuant to the Resolution and this Note may be fully discharged and satisfied with respect to this Note (a) by payment of this Note when the same shall become due and payable, (b) by depositing with the Note Registrar at or

before the date of maturity or redemption of this Note, money in the amount necessary to pay or redeem this Note, as appropriate, (c) by depositing in escrow with a bank or trust company at or before the date of maturity or redemption (as appropriate) of this Note, money and/or securities lawfully permitted for such purpose in an amount sufficient, including any income or increment to accrue thereon to the date or dates of maturity of such securities (or, if such securities are subject to redemption prior to maturity otherwise than at the option of the holder thereof, to the earliest date or dates on which such securities are subject to redemption), but without necessity of any reinvestment, to pay or redeem this Note in accordance with its terms, or (d) by delivering such Note to the Note Registrar for cancellation. Upon such payment, deposit or delivery, this Note shall no longer be deemed outstanding for purposes of the Resolution and all liability of the City with respect thereto shall cease, determine and be completely discharged, and the owner of this Note shall be entitled only to payment out of the money or securities so deposited. No deposit pursuant to clause (c) above shall preclude or impair the right of the City to call all or any portion of the Notes of the issue of which this Note is one for redemption in accordance with provisions hereinabove and in the Resolution applicable to optional redemptions.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Note Registrar.

IN WITNESS WHEREOF the City of Morristown, Tennessee, by its City Council, has caused this Note to be executed with the duly authorized manual or facsimile signature of its Mayor and attested by the duly authorized manual or facsimile signature of its City Recorder and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, as of the 28<sup>th</sup> of February 2008.

\_\_\_\_\_/s/ Sami Barile\_\_\_\_\_  
[SEAL] \_\_\_\_\_ Mayor

Attest:

\_\_\_\_\_/s/ James H. Crumlev\_\_\_\_\_  
City Recorder

**CERTIFICATE OF AUTHENTICATION**

This Note is one of the Notes described in the within mentioned Resolution and is one of the Capital Outlay Notes, Series 2008 of the City of Morristown, Tennessee.

Date of Authentication:

\_\_\_\_\_  
a  
as Note Registrar  
By: \_\_\_\_\_  
Authorized Signatory

The following abbreviations, when used in the inscription on the face of the within Note or in the Transfer Provisions below, shall be construed as through they were written out in full according to applicable laws or regulations:

- TEN COM - as tenants in common
- TEN ENT - as tenants by the entireties
- JT TEN - as joint tenants with right of survivorship and not as tenants in common
- UNIF GIFT MIN ACT - \_\_\_\_\_ as Custodian for \_\_\_\_\_  
(Cust) (Minor)

under Uniform Gifts to Minors Act of \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not listed above.

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**TRANSFER PROVISIONS**

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto \_\_\_\_\_

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(Name and Address of Assignee) whose Federal Tax Identification or Social Security Number is \_\_\_\_\_ the within Note and does hereby irrevocably constitute and appoint attorney to transfer the said Note on the books kept for registration thereof with full power of substitution in the premises.

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Dated \_\_\_\_\_

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

Signature Guaranteed

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NOTICE: Signature(s) must be guaranteed by a member of a Medallion Program acceptable to the Note Registrar.

**[End of form of Note.]**

**Section 10. Levy of Taxes. Levy of Tax; Pledge of Faith and Credit.** This Governing Body of the City does hereby pledge itself to levy in each year in which any of the Notes are outstanding and unpaid a tax in addition to all other taxes authorized by law on all taxable property in the City fully sufficient to pay promptly the principal of and interest on the Notes as such principal and interest become due. The full faith, credit and resources of the City are hereby pledged for the payment of the principal of and interest on the Notes and for the levy and collection of sufficient ad valorem taxes for that purpose.

Principal and interest becoming due at any time when there shall be insufficient funds on hand from such tax or tax levy shall be paid from the current funds of the City and reimbursement therefor shall be made out of the taxes hereby provided to be levied when the same shall have been collected. To the extent that moneys are actually on hand from other available sources for the payment of principal and interest on the Notes, the ad valorem taxes hereinabove provided for may be reduced.

All such taxes levied and collected shall be deposited in the Note Fund and used solely for the payment of principal of and interest on the Notes as the same shall become due.

**Section 11. Approval by State Director of Local Finance.**

None of the Notes authorized hereunder shall be issued and sold unless they shall first have been approved by the State Director of Local Finance.

**Section 12. Sale of Notes.**

(a) *Generally.* The Notes shall be offered for sale as permitted by law either at a negotiated sale or at a competitive public sale, as a whole or in part, in one or more series, at the time or from time to time as may be determined by the Mayor, at not less than ninety-nine percent (99%) of par, or such greater percentage as may be determined by the Mayor, plus accrued interest. In connection with the sale of the Notes, the Mayor shall establish a date of sale which date may, in the sole discretion of the Mayor, be postponed from time to time upon notice given not less than twenty-four hours prior to the time originally established for receipt of bids, such notice of postponement to be communicated through the Bloomberg News Wire or by such other means as is determined by the Mayor to be reasonably calculated to inform interested potential bidders. If such a postponement occurs, then the Mayor is hereby authorized to establish a new sale date to be held on the date and at the hour and place specified by the Mayor and communicated, not less than forty-eight hours prior to the new date and time of sale, through the Bloomberg News Wire or by such other means as is determined by the Mayor to be reasonably calculated to inform interested potential bidders of such information.

(b) *Bids or Proposals for Term Notes.* In connection with the sale of the Notes, the Mayor may authorize bidders or proposers to designate two or more consecutive serial maturities to be combined into one or more term maturities (each hereinafter referred to as a "Term Note") provided that each Term Note so designated shall be subject to mandatory sinking fund redemptions (i) in the amounts and on the dates of the serial maturities combined to establish such Term Note and (ii) at redemption prices equal to one hundred percent (100%) of the principal amount so redeemed, together with accrued interest to the date of redemption.

(c) *Sale of Less Than Authorized Amount; Adjustments.* The Mayor is authorized to sell less than all the Notes authorized herein and effect a corresponding adjustment in the maturity schedule set forth herein, including the elimination of one or more maturities. The Mayor, working with the City's Financial Advisor is authorized to adjust the amounts and dates of the serial maturities of the Notes herein authorized provided that no Note shall mature later than the last year of maturity herein authorized, (ii) to change the dated date of the Notes to a date other than the dated date herein authorized in order to facilitate the sale and delivery of the Notes, and (iii) in connection with such change of dated date or adjustment of maturities, to adjust principal and interest payment dates, redemption dates and the series designation. If the Notes are sold in more than one emission, the Mayor is authorized to date the emissions on the same date or on separate dates, adjust the maturity schedule to provide for the payment of the series of notes of each emission on the same dates or on separate dates corresponding to the dated dates, adjust the redemption schedules to correspond to the payment dates, and make such other adjustments as he or she shall deem necessary to market each emission, provided the total amount of Notes does not exceed the amount authorized in Section 3 hereof, the redemption dates are not extended beyond the number of calendar years from the dated date as set forth in Section 7 hereof and no maturity of any Note is extended beyond the year of last maturity date specified in Section 3 hereof.

(d) *Note Insurance.* In connection with the sale of the Notes, the Mayor, working with the City's Financial Advisor, is authorized to obtain, and to pay for from proceeds of the Notes, note insurance on all or a portion of the Notes; provided, however, such note insurance shall be obtained only if the

Mayor determines, based on the advice of the City's Financial Advisor, that either (i) such insurance is necessary to sell the Notes, or a portion thereof, or (ii) the present value of the projected savings in interest costs to the City as a result of obtaining such note insurance exceeds the premium cost to the City for such note insurance.

(e) *Award and Delivery.* The Mayor is authorized to award the Notes to the purchaser (or if the Notes are sold in separate series or emissions, the purchasers) whose bid results in the lowest true interest cost to the City, provided the rate on none of the Notes exceeds the maximum rate per annum specified herein or such lesser rate as shall be determined by the Mayor. The award of the Notes by the Mayor to the lowest bidder shall be binding on the City, and no further action by the Governing Body with respect thereto shall be required. The Mayor and City Recorder, or either of them, are authorized to cause the Notes to be authenticated and delivered by the Note Registrar to the successful bidder and to execute, publish, and deliver all certificates and documents, including an official statement and closing certificates, as they or Bond Counsel shall deem necessary in connection with the sale and delivery of the Notes. Following each sale of the Notes, there shall be a certificate by the Mayor evidencing the bids received and the award of the Notes to the bidder whose bid results in the lowest interest cost to the City. The Mayor, the City Recorder and the City's Financial Advisor are authorized to execute on behalf of the City all forms and documents required to be filed with the State Director of Local Finance relating to the Notes.

(f) *Sale With Other Authorized Obligations.* The Mayor is hereby authorized (i) to sell the Notes, or any series or emission thereof, contemporaneously with any other series or emission of the Notes or with the sale of other general obligations of the City heretofore or hereafter authorized but not issued, and, in connection with such sale to combine this Note issue into a single series of notes with any other such authorized issue of general obligations for purposes of such sale, the payments of principal of and interest on, and the redemption of the Notes and such other authorized issue of general obligations; and (ii) in connection with such contemporaneous or combined sale, to exercise all powers and do all things authorized by the Act or this Resolution (including but not limited to those things specified in subsections (a) through (d) of this Section) which are, in his or her judgment necessary or reasonable for the lawful, orderly and fiscally responsible sale of the Notes at the most favorable price and upon the most favorable terms reasonably available; provided, however, proceeds of the Notes and of any other obligations sold on a contemporaneous or combined basis with the Notes herein authorized shall be segregated, deposited and applied as provided in the resolution authorizing the same and neither the Mayor nor any other official or employee of the City shall expend or authorize the expenditure of proceeds of the Notes or any obligations sold on a contemporaneous or combined basis with the Notes for any purposes other than those specified in the resolution(s) respectively authorizing such obligations.

### **Section 13. Funds and Accounts Created; Use of Note Proceeds.**

(a) *Funds and Accounts Created.* The following funds are hereby created with respect to the Notes and the application of the proceeds of the Notes and the City Recorder is hereby authorized and directed to establish such funds and accounts and to apply proceeds of the Notes in such funds and accounts as herein provided:

(i) Note Fund. There is hereby created a special fund to be designated as the "Capital Outlay Note Fund" and denominated by the series designation of the Notes (hereinafter, the "Note Fund"). Moneys deposited in the Note Fund shall be used for the payment of the principal

of and interest on the Notes; provided, however, the City may withdraw moneys therefrom to the extent the same are not required for such payments during the twelve (12) calendar months next succeeding such withdrawal.

(b) *Use of Note Proceeds.* Proceeds of the sale of the Notes shall be applied by the City as follows:

- (i) accrued interest received as a part of the purchase price shall be deposited to the Note Fund and used to pay interest on the Notes on the first date following delivery of the Notes upon which such interest is payable;
- (ii) an amount which, together with other legally available funds of the City, if any, is sufficient therefor shall be applied to pay costs associated with the issuance, sale and delivery of the Notes, including, but not limited to, reasonably necessary legal, accounting, financial advisory, fiscal agent, Note Registrar, and rating agency fees, Note insurance premiums, and costs and expenses for printing, engraving, advertising, mailing, copying and other miscellaneous expenses incurred in connection with the issuance and sale of the Notes;
- (iii) the remainder of the proceeds shall be deposited to a special fund designated the "Capital Outlay Notes. Series 2008 Project Fund- and used solely for the purposes for which the Notes were authorized; provided, however, that in the event prior bond anticipation or capital outlay notes of the City shall have been legally issued, in whole or in part, for the same purposes as the Notes or in anticipation of the proceeds of any portion of the Notes or City funds have been heretofore expended for such purposes, the principal proceeds of the Notes in an amount not exceeding the principal amount of said Notes then outstanding may be used to retire all or a portion of such principal amount of said notes or to reimburse the City for such expenditures.

**Section 14. No Arbitrage; Tax Exemption Certificate and Agreement; Notes to Remain in Registered Form.** The City recognizes that the purchasers and holders of the Notes will have accepted them on, and paid therefor a price which reflects, the understanding that interest thereon is excludable from federal gross income for purposes of federal income taxation of the owners thereof under laws in force at the time the Notes shall have been delivered. In this connection the City agrees that it shall take no action and shall not fail to take any action, in either case where the result thereof may render the interest on any of the Notes includible in federal gross income for purposes of federal income taxation of the owners thereof and that the principal proceeds of the sale of the Notes shall be devoted to and used with due diligence for the purposes for which the Notes are hereby authorized to be issued. The City agrees that, to the extent possible under state law, it will comply with whatever federal law is now in effect or which shall be adopted in the future which applies to the Notes and affects the tax-exempt status of the Notes.

The Mayor and the City Recorder of the City, or any of them, are hereby authorized to execute on behalf of the City a Tax Compliance

Certificate and Agreement to assure the purchasers and owners of the Notes that the proceeds of the Notes will not be used in a manner which would or might result in the Notes being "private activity notes" under Section 141 of the Code or "arbitrage notes" under Section 148 of the Code, or the regulations of the United States Treasury Department currently in effect or proposed. Such Tax Compliance Certificate and Agreement shall constitute a representation, certification and agreement of the City and no investment or use of Note proceeds or of monies accumulated to pay the Notes herein authorized shall be made in violation of the expectations and covenants prescribed by said Tax Compliance Certificate and Agreement. Such Tax Compliance Certificate and Agreement shall constitute an agreement of the City to follow certain covenants which may require the City to take certain actions (including the payment of certain amounts to the United States Treasury) or which may prohibit certain actions (including the establishment of certain funds) under certain conditions as specified in such Tax Compliance Certificate and Agreement.

The City further recognizes that Section 149(a) of the Code requires the Notes to be issued and to remain in fully registered form in order that interest thereon is excludable from federal gross income of the owners thereof under laws in force at the time the Notes are delivered. In this connection, the City agrees that it will not take any action to permit the Notes to be issued in, or converted into, bearer or coupon form.

**Section 15. Official Statement.** The Mayor, in consultation with the City's Financial Advisor, is hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement describing the Notes. After bids have been received and the Notes have been awarded, the Mayor, in consultation with the City's Financial Advisor, 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 shall arrange for the delivery to the successful bidder on the Notes of a reasonable number of copies of the Official Statement within seven (7) business days after the Notes have been awarded for delivery, for distribution by the successful bidder on the Notes to each potential investor requesting a copy of the Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Notes.

The Mayor is authorized, on behalf of the City, 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 of the Securities and Exchange Commission, 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 16. Secondary Market Disclosure.** The Mayor, with the advice of the City's Financial Advisor, is authorized to deliver certifications and to enter into contractual commitments pursuant to which the City will, for so long as the Notes remain outstanding, provide or cause to be provided continuing disclosure with respect to the financial condition of the City and material events with respect to the Notes or the financial condition of the City in compliance with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

Section 17. Duties of Note Registrar. The Note Registrar shall be the City Recorder or such financial institution as is selected by the Mayor. If requested by the Note Registrar, the Mayor is authorized to execute and the City Recorder of the City is authorized to attest the Note Registrar's standard form of agreement between the City and the Note Registrar with respect to the obligations and duties of the Note Registrar hereunder which shall include the following:

- (a) to act as note registrar, authenticating agent, paying agent and transfer agent as provided herein;
- (b) to give notice of redemption of Notes as provided herein;
- (c) to cancel and destroy Notes which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer;
- (d) to furnish the City at least annually a certificate of destruction with respect to Notes canceled and destroyed; and
- (e) to furnish the City at least annually an audit confirmation of Notes paid, Notes outstanding and payments made with respect to interest on the Notes or such other information in lieu thereof as is acceptable to the Mayor.

**Section 18. Defeasance, Discharge and Satisfaction.** The covenants, agreements and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Notes, or any of them, in any one or more of the following ways:

- (a) by paying such Notes when the same shall become due and payable;
- (b) by depositing with the Note Registrar at or before the date of maturity or redemption of such Notes, money in the amount necessary to pay or redeem such Notes;
- (c) by depositing in escrow with a bank or trust company located in the State, at or before the date of maturity or redemption (as appropriate) of the Notes, money and/or securities in an amount sufficient, including any income or increment to accrue thereon to the date or dates of maturity thereof (or, if such securities are subject to redemption prior to maturity otherwise than at the option of the holder thereof, to the earliest date or dates on which such securities are subject to redemption), but without the necessity of any reinvestment, to pay or redeem such Notes, in accordance with their terms; or
- (d) by delivering such Notes to the Note Registrar for cancellation.

Upon such payment, deposit or delivery above provided, such Notes shall no longer be deemed outstanding for purposes of this Resolution and all liability of the City with respect to such Notes shall cease, determine and be completely discharged, and the owners thereof shall be entitled only to payment out of the money or Securities so deposited. Moneys and/or Securities deposited in escrow and moneys deposited with the Note Registrar pursuant to this Section, and investment earnings or increment thereon, shall be held in trust for the payment of the principal of, premium, if any, and interest on such Notes and shall not be withdrawn or used for any other purpose until such Notes are fully paid at their respective maturities or upon their earlier redemption, and thereafter,

any amounts remaining shall be paid over to the City. No deposit pursuant to clause (c) above shall preclude or impair the right of the City to call all or any portion of the Notes for redemption in accordance with provisions hereinabove and in the Resolution applicable to optional redemptions.

**Section 19. Resolution a Contract; Amendments.** The provisions of this Resolution shall constitute a contract between the City and the Registered Owners from time to time of the Notes. After the issuance of the Notes, no amendment shall be made to the provisions of this Resolution until the principal of, premium if any, and interest on the Notes shall have been fully paid, except such amendments as (i) are approved by Bond Counsel and which are not to the prejudice of the Registered Owners of the Notes or (ii) are consented to in writing by one hundred percent (100%) of the Registered Owners of the Notes within a period of one (1) year next preceding the effective date of such amendment. For purposes of the immediately preceding clause (ii), any such consent by a Registered Owner of the Notes shall be irrevocable and shall be binding upon the heirs, administrators, executors, successors, assigns and transferees of such Registered Owner.

**Section 20. No Recourse on Notes.** No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Notes or for any claim based thereon or under this Resolution against any member or officer of the City Council of the City of Morristown or against any officer or official of the City of Morristown in his or her individual capacity.

**Section 21. Severability.** If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason or under any circumstances, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution or the validity or enforceability of such section, paragraph or provision under differing circumstances, and toward that end the provisions of this Resolution are hereby declared severable.

**Section 22. Repeal.** All ordinances and resolutions in conflict herewith are hereby repealed to the extent of such conflict, and this Resolution shall take effect from and after its passage, the public welfare requiring it.

**Section 23. Reimbursement.** This Resolution shall serve as a notice of intent to reimburse for certain expenditures up to \$4,000,000 as defined in accordance with the requirements of final resolutions applicable thereto as promulgated by the United States Department of Treasury.

**Section 24. Qualified Tax-Exempt Obligations; Exemption from Arbitrage Rebate.** The Mayor is hereby authorized, to the extent he or she may lawfully so do, to designate the Notes or any portion thereof as "qualified tax-exempt obligations" pursuant to Section 265 of the Code. To the extent that the amount of Notes authorized to be sold pursuant hereto may exceed the limitations of said Section 265 of the Code for the purposes of such

designation, the Mayor is authorized, in his or her discretion, to sell said Notes in two or more emissions in different calendar years so that the aggregate principal amount of Notes sold in any calendar year does not exceed such limitations.

Additionally, to the extent the Notes may be sold at times and in amounts so as to be exempt from rebate of arbitrage earnings under Section 148(f) of the Code, the Mayor is authorized, in his or her discretion, to issue the

Notes in two or more emissions in different calendar years so as to qualify for such exemption.

Adopted this 28<sup>th</sup> day of February 2008.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Administrator/Recorder

Mayor Barile adjourned the February 28, 2008 City Council meeting.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Administrator