

RESOLUTION NO. 24394

A SUPPLEMENTAL RESOLUTION AUTHORIZING THE SALE OF, AND MAKING CERTAIN DETERMINATIONS RELATING TO THE CITY OF CHATTANOOGA, TENNESSEE, \$51,375,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2005A.

WHEREAS, pursuant to the provisions of Sections 9-21-101 et seq., of the Tennessee Code Annotated (the "Act"), the City Council of the City of Chattanooga, Tennessee (the "Council") duly adopted Resolution No. 24352 on March 8, 2005 (the "Resolution") authorizing the refunding of all or a portion of the City of Chattanooga's General Obligation Bonds, Series 1998 (the "Series 1998 Bonds") and General Obligation Bonds, Series 2001 (the "Series 2001 Bonds") and General Obligation Bonds, Series 2002 (Hotel-Motel Tax Revenue Pledge) (the "Series 2002 Bonds," together with the Series 1998 Bonds and the Series 2001 Bonds, the "Prior Bonds") and authorizing the issuance and sale of an amount not to exceed \$118,000,000 principal amount of General Obligation Refunding Bonds, Series 2005A in one or more series (the "Bonds");

WHEREAS, the provisions of the Resolution required the adoption of a supplemental resolution by the Council to set certain terms related to the Bonds, including the specific Prior Bonds to be refunded, determination of one or more series, interest rates, the maturity dates and principal amount of the Bonds;

WHEREAS, the Council desires at this time to issue and sell \$51,375,000 principal amount of General Obligation Refunding Bonds, Series 2005A;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, TENNESSEE:

SECTION 1. That the refunding of the City of Chattanooga's outstanding Series 1998 Bonds maturing in the years 2007 and 2014 to 2018 inclusive (the "Series 1998 Refunded Bonds"), outstanding Series 2001 Bonds maturing in the years 2010 to 2020 inclusive (the "Series 2001 Refunded Bonds"), and outstanding Series 2002 Bonds maturing in the years 2012, 2018 and 2019 (the "Series 2002 Refunded Bonds, together with the Series 1998 Refunded Bonds and the Series 2001 Refunded Bonds, the "Refunded Bonds"), by the issuance of the Bonds, is hereby authorized, and that the Mayor and/or Finance Officer are hereby authorized to proceed herewith. That it is necessary, advantageous, desirable and in the best interests of the City of Chattanooga (the "City") and its residents that the Bonds be issued to refund and finance the costs of accomplishing the refunding of, the Refunded Bonds.

SECTION 2. That the City hereby approves, ratifies and confirms the sale of the Bonds to Morgan Keegan & Company, Inc., Duncan-Williams, Inc. and Jackson Securities, LLC for a total underwriters' discount of \$244,031.25 pursuant to the provisions of the Bond Purchase Agreement, dated April 7, 2005 and attached hereto. The sale of the Bonds shall be subject to the terms and provisions set forth in said Bond Purchase Agreement, and the Mayor and City Finance Officer are hereby authorized and directed on behalf of the City to execute said Bond Purchase Agreement and to carry out or cause to be carried out all the obligations of the City under said Bond Purchase Agreement, and to take all actions contemplated to be taken by the City pursuant to the terms of said Bond Purchase Agreement.

SECTION 3. That there be issued and sold \$51,375,000 City of Chattanooga, Tennessee, General Obligation Refunding Bonds, Series 2005A, which Bonds shall be subject to all the terms and conditions set forth in the Resolution. The Bonds shall bear interest as set forth below, and shall mature on September 1 in the years and amounts as follows:

**City of Chattanooga, Tennessee
General Obligation Refunding Bonds,
Series 2005A**

<u>September 1,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2005	\$ 410,000	2.500%
2006	50,000	3.000%
2007	2,855,000	3.000%
2009	1,490,000	3.500%
2010	1,545,000	3.500%
2011	1,605,000	4.000%
2012	2,885,000	4.000%
2013	1,720,000	3.750%
2014	5,850,000	5.000%
2015	6,150,000	5.000%
2016	6,465,000	5.000%
2017	6,805,000	5.000%
2018	9,100,000	5.000%
2019	4,445,000	4.125%

The Bonds maturing in 2005 through 2017, inclusive are not subject to optional redemption prior to maturity. The Bonds maturing in 2018 and 2019 are subject to optional redemption prior to maturity.

SECTION 4. That the City hereby appoints Deutsche Bank National Trust Company as Escrow Agent and shall invest the proceeds of the Bonds to be applied to refund the Refunded Bonds pursuant to the provisions of the Escrow Deposit Agreement, dated April 27, 2005 and attached hereto. The investment of such proceeds of the Bonds shall be subject to the terms and provisions set forth in said Escrow Deposit Agreement, and the Mayor and City Finance Officer are hereby authorized and directed on behalf of the City to execute said Escrow Deposit Agreement and to carry out or cause to be carried out all the obligations of the City under said

Escrow Deposit Agreement, and to take all actions contemplated to be taken by the City pursuant to the terms of said Escrow Deposit Agreement.

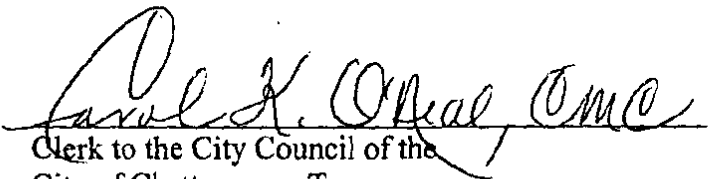
SECTION 5. That the City hereby authorizes and empowers the Mayor and/or the City Finance Officer to carry out or cause to be carried out all the obligations of the City under the Resolution, and to take all action contemplated to be taken by the Resolution, including the negotiation and execution of any forward supply contract for use in connection with the Escrow Agreement and funds thereunder related to the Refunded Bonds.

SECTION 6. That this Resolution take effect from and after its passage, the public welfare required it.

ADOPTED: April 12, 2005

I, Carol K. O'Neal, Clerk to the City Council, City Council of the City of Chattanooga, Tennessee, do hereby certify that the foregoing is true, compared and correct copy of Resolution No. 24394, adopted by the City Council of the City of Chattanooga, Tennessee on April 12, 2005.

WITNESS my hand and the Seal of the City of Chattanooga, Tennessee this 13th day of April, 2005.


Clerk to the City Council of the
City of Chattanooga, Tennessee

BOND PURCHASE AGREEMENT

April 7, 2005

City Council
City of Chattanooga, Tennessee

Re: City of Chattanooga, Tennessee
General Obligation Refunding Bonds, Series 2005A

Ladies and Gentlemen:

Morgan Keegan & Company, Inc., as representative of the underwriters (the "Underwriter") offers to enter into the following agreement with the City of Chattanooga, Tennessee (the "Issuer"), for the purchase by the Underwriter and sale by the Issuer of \$51,375,000 aggregate principal amount of City of Chattanooga, Tennessee General Obligation Refunding Bonds, Series 2005A (the "Bonds"), as described herein and in the Official Statement (hereinafter defined). This offer is made subject to acceptance by the Issuer, and if not so accepted, will be subject to withdrawal by the Underwriter upon oral or written notice to the Issuer at any time prior to the acceptance and approval hereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Official Statement or in the Resolution (as each identified hereinafter).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer for offering to certain investors, and the Issuer hereby agrees to sell and deliver to the Underwriter for such purpose, all (but not less than all) of the Bonds. The Bonds will initially be dated as of the date of delivery thereof. The Bonds will bear interest at the rates set forth in Exhibit A to this Bond Purchase Agreement and will mature on the dates set forth in Exhibit A. The Bonds will be subject to the terms as are set forth in the Official Statement and the Resolution.

The purchase price of the Bonds shall be \$54,090,929.60 representing the par amount of the Bonds plus a net original issue premium of \$2,959,960.85 less an underwriting discount of \$244,031.25 or (0.449%) of the initial public offering price of the Bonds.

The Bonds are to be issued pursuant to the provisions of Title 9, Chapter 21, Part 9 of the *Tennessee Code Annotated* (the "Acts") and the resolution adopted by the City Council of the City of Chattanooga on March 8, 2005 and expected to be adopted by the City Council of the City of Chattanooga on April 12, 2005 (collectively, the "Resolution").

2. Offering. It shall be a condition of your obligation to sell and deliver the Bonds to the Underwriter, and the obligation of the Underwriter to purchase and accept delivery of the Bonds,

that the entire aggregate principal amount of the Bonds shall be sold and delivered by you and accepted and paid for by the Underwriter at the Closing.

3. Official Statement. With your acceptance hereof, you hereby acknowledge that a Preliminary Official Statement (including the Appendices thereto) dated April 1, 2005 (the "Preliminary Official Statement" has been authorized by the Issuer and distributed in connection with the offering of the Bonds. You further acknowledge that the Issuer has heretofore deemed, or alternatively hereby deems, the Preliminary Official Statement to be final as of its date within the meaning of Rule 15(c)2-12 under the Securities and Exchange Act of 1934 (the "Rule") except for the omission of no more than the following information: the offering prices, interest rates, selling compensation, aggregate principal amount, redemption provisions, delivery date, Trustee, ratings, and other terms of the Bonds depending on such matters. Further, with your acceptance hereof, you will deliver to the Underwriter, within seven (7) business days after the date of this Bond Purchase Agreement and in sufficient time to accompany any confirmation that requests payment from any customer, copies of the final Official Statement, in sufficient quantity to enable the Underwriter to comply with the Rule and the rules of the Municipal Securities Rulemaking Board. By execution thereof by the Mayor of the Issuer, or such other authorized officers of the Issuer, the Issuer shall deem the Official Statement complete as of its date within the meaning of the Rule in substantially the same form as the Preliminary Official Statement, subject only to such minor additions, deletions, revisions and recent developments which shall have been accepted by the Underwriters.

4. Use of Documents. The Issuer hereby authorizes the use by the Underwriter of the Official Statement (including any supplements or amendments thereto) and any other documents related to the transactions contemplated in the Official Statement in connection with the public offering, sale and distribution of the Bonds.

5. Representations, Warranties and Agreements. The Issuer hereby represents warrants and agrees as follows:

(a) At the time of delivery to the Underwriter of the Official Statement and at the time of Closing, the statements and information contained in the Official Statement will be true, correct and complete in all material respects and the Official Statement will not omit any statement or information which should be included therein for the purposes for which the Official Statement is to be used or which is necessary to make the statements or information contained therein, in light of the circumstances under which they were made, not misleading;

(b) The Issuer is, and will be at the date of Closing, a political subdivision under the Constitution and laws of the State of Tennessee (the "State") with the powers and authority set forth in the Acts;

(c) The Issuer has full legal right, power and authority to (i) enter into this Bond Purchase Agreement, (ii) adopt the Resolution, (iii) sell, issue and deliver the Bonds to the Underwriter as provided herein, and (iv) carry out and consummate the transactions contemplated by this Bond Purchase Agreement, the Resolution, and the Official Statement, and the Issuer has

complied, and at the Closing will be in compliance, in all respects with the terms of the Acts and with the obligations on its part in connection with the issuance of the Bonds contained in the Resolution, the Bonds and this Bond Purchase Agreement;

(d) By all necessary official action, the Issuer has duly authorized, and approved the Official Statement, has duly authorized and approved the execution and delivery, and the performance by the Issuer, of this Bond Purchase Agreement and all other obligations on its part in connection with the issuance of the Bonds and the consummation by it of all other transactions contemplated by this Bond Purchase Agreement in connection with the issuance of the Bonds; upon delivery of the Bonds the Resolution will constitute the legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, and similar laws affecting creditors rights generally and subject, as to enforceability, to general principles of equity;

(e) When delivered to and paid for by the Underwriter at the Closing in accordance with the provisions of this Bond Purchase Agreement, the Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and legally binding obligations and commitments of the Issuer, enforceable in accordance with their terms, and shall be entitled to the benefits of the Resolution, including net revenues generated through the operation of the City's Regional Interceptor System, and in the event of a deficiency, from unlimited ad valorem taxes to be levied on all taxable property within the boundaries of the City, as described therein;

(f) The adoption, authorization, execution and delivery of this Bond Purchase Agreement, the Resolution and the Bonds and compliance with the provisions hereof and thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, consent decree, ordinance, resolution or any agreement or other instrument to which the Issuer was or is subject, as the case may be, nor will such enactment, adoption, execution, delivery, authorization or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly provided by the Resolution;

(g) All approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Resolution, have been obtained and are in full force and effect.

6. Closing. At 10:00 a.m., local time, Chattanooga, Tennessee, on April 27, 2005, or at such time on such earlier or later date as shall be agreed upon (the "Closing"), you will deliver to the Underwriter at the location to be agreed upon by you and the Underwriter the Bonds duly executed in permanent form. The other documents herein required to be delivered at the Closing shall be simultaneously delivered to the Underwriter in New York, New York. The Underwriter agrees to accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof, plus accrued interest on the Bonds by immediately available funds, payable to the order of the Issuer. The Bonds shall be made available to the Underwriter on the business day before the

Closing for purposes of inspecting and packaging, if necessary. The Bonds shall be prepared, and delivered, in fully registered form.

7. Underwriter Closing Conditions. The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Issuer herein contained, and the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the time of Closing. The obligations of the Underwriter under this Bond Purchase Agreement are and shall be subject to the following conditions:

(a) The representations, warranties and agreements of the Issuer contained herein shall be true and correct and complied with as of the date hereof and as of the date of the Closing, as if made on the date of the Closing.

(b) At the time of the Closing, the Resolution shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, all official action of the Issuer relating to this Bond Purchase Agreement and the Bonds shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Underwriter; and the Issuer shall have taken such actions and there shall have been taken such proceedings as in the opinion of the Bond Counsel shall be necessary in connection with the transactions contemplated hereby.

(d) The Underwriter shall have the right to cancel the agreement contained herein to purchase, to accept delivery of and to pay for the Bonds by notifying you in writing of its intention to do so prior to the time of Closing, if between the date hereof and the Closing:

(i) legislation (including any amendment thereto) is introduced in, pending before, favorably reported by, is tentatively decided upon or is passed by, either House of the Congress of the United States of America (the "United States") or any Committee thereof, or announced by the Chairman of any such Committee, or recommended to the Congress of the United States for passage by the President of the United States or the United States Treasury Department, or a decision shall have been rendered by a court established under Article III of the Constitution of the United States or of the United States Tax Court, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, which, if enacted, promulgated, or otherwise fully implemented, would have the purpose or effect of imposing or would result in federal taxation upon interest received on the Bonds or obligations of the general character of the Bonds or which would have the effect of changing directly or indirectly the federal income tax consequences of the receipt or accrual of interest on obligations of the general character of the Bonds in the hands of the beneficial owners thereof which would make it impracticable to sell the Bonds on the terms and in the manner contemplated in the Official Statement;

(ii) any legislation, ordinance, rule or regulation shall be introduced in, considered by or be enacted by any governmental body, department or agency of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the Underwriter's opinion, does or will materially adversely affect the market price or marketability of the Bonds;

(iii) legislation is or shall be enacted by the Congress of the United States, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement, or a proposed stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Board or other agency having jurisdiction over the issuance, sale and delivery of the Bonds or any other obligations of the Issuer or any similar public body shall be issued or made to the effect that obligations of the general nature of the Bonds or the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or that the Indenture, or indentures of the general nature of the Indenture, are not exempt from qualification under, or other requirements of, the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, sale and delivery of the Bonds as contemplated hereby and by the Official Statement or of obligations of the general character of the Bonds;

(iv) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange that, in the opinion of the Underwriter, will materially adversely affect the market price or marketability of the Bonds;

(v) a general banking moratorium shall have been established by Federal, State or New York authorities;

(vi) a war involving the United States shall have been declared, or any conflict involving the armed forces of the United States shall have escalated, or any other national emergency which may materially and adversely affect the operation of government or the financial community shall have occurred, which in the Underwriter's reasonable opinion, would make it impracticable to sell the Bonds on the terms and in the manner contemplated in the Official Statement; or

(vii) there shall exist any event which in the judgment of the Underwriter (A) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (B) is not reflected in the Official Statement, but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect and, in either such event, the Issuer refuses to permit the Official Statement to be supplemented to correct or supply such statement or information, or the statement or information as supplemented is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market price or marketability of the Bonds.

(e) At or prior to the date of the Closing, the Underwriter shall receive the

following documents:

(i) the Official Statement, as printed, and each supplement, amendment or modification, if any, thereto, executed, on behalf of the Issuer by its Mayor;

(ii) executed copies of the Resolution and such other instruments as are contemplated thereby and in the Official Statement;

(iii) an unqualified final approving opinion of Bond Counsel, substantially in the form attached to the Preliminary Official Statement, dated the date of the Closing;

(iv) a letter of Bond Counsel, addressed to the Underwriter, dated the date of Closing, to the effect that their final approving opinion referred to in Section 7(e)(iii) hereof may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter;

(v) the opinion of the City Attorney for the Issuer, substantially in the form attached hereto as Exhibit B;

(vi) a certificate, which shall be true and correct at the time of Closing, signed by the Mayor of the Issuer, or such other official satisfactory to the Underwriter and in form and substance satisfactory to the Underwriter, to the effect that (A) the representations, warranties and covenants of the Issuer contained herein are true and correct to the best of such official's knowledge and belief in all material respects and are complied with as of the time of Closing; and (B) the Official Statement did not as of its date, and does not as of the date of Closing, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purposes for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in light of the circumstances in which they were made, not misleading;

(vii) such additional legal opinions, certificates, instruments and other documents as Bond Counsel or the Underwriter may reasonably request to evidence the accuracy, as of the date hereof and as of the date of the Closing, of the representations and warranties of the Issuer contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of Closing of all the agreements then to be performed and conditions then to be satisfied by them.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Bond Purchase and the Underwriter does not waive such inability in writing, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder.

8. Issuer Closing Conditions. Notwithstanding any other provisions described herein, the obligations of the Issuer under this Bond Purchase Agreement are and shall be subject to the approval of the terms of the Bonds and this Bond Purchase Agreement by resolution of the City Council of the City of Chattanooga, Tennessee.

9. Expenses. The Underwriter shall be under no obligation to pay and the Issuer shall pay, any expense incident to the performance of the Issuers' performance hereunder including, but not limited to (i) preparation and delivery of the Resolution and other documents incident thereto; (ii) preparation, printing and delivery of the Bonds; (iii) preparation, printing and delivery of the Official Statement; (iv) the fees and disbursements of Bond Counsel; (v) the fees and disbursements of counsel to the Issuer; (vi) the fees and expenses of the Registrar and Paying Agent (vii) the bond insurance premium, if any (excluding any insurance purchased by the Underwriter); (viii) rating agency fees; and (ix) fees to accountants for the verification of the escrow deposit.

The Underwriter shall pay all other expenses incurred by it in connection with the offering of the Bonds.

10. Parties in Interest. This Bond Purchase Agreement is solely for the benefit of the Issuer and the Underwriter and no other party or person shall acquire or have any right hereunder or by virtue hereof. All of the representations, warranties and agreements in this Bond Purchase Agreement shall remain operative and in full force and effect and shall survive the delivery of the Bonds.

11. Waiver. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the Issuer hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter, in its sole discretion, and the approval of the Underwriter when required hereunder or the determination of its satisfaction as to any document referred to herein shall be in writing, signed by appropriate officer or officers of the Underwriter and delivered to you.

12. No Liability. Neither the Issuer, nor any of the members thereof, nor any officer, agent or employee thereof, shall be charged personally by the Underwriter with any liability, or held liable to the Underwriter under any term or provisions of this Bond Purchase Agreement or because of any breach or attempted or alleged breach thereof.

13. Governing Law. This Bond Purchase Agreement, and the terms and conditions herein, shall constitute the full and complete agreement between the Issuer and the Underwriter with respect to the purchase and sale of the Bonds. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

Very truly yours,

MORGAN, KEEGAN & COMPANY, INC.

BY: _____

Title: Managing Director

Accepted this 7th day of April 2005

Acting City Finance Officer
City of Chattanooga, Tennessee

Attest:

Clerk of the Council

EXHIBIT A

**Maturity and Interest Rate
Schedule for the Bonds**

<u>Due September 1,</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2005	\$ 410,000	2.500%
2006	50,000	3.000%
2007	2,855,000	3.000%
2009	1,490,000	3.500%
2010	1,545,000	3.500%
2011	1,605,000	4.000%
2012	2,885,000	4.000%
2013	1,720,000	3.750%
2014	5,850,000	5.000%
2015	6,150,000	5.000%
2016	6,465,000	5.000%
2017	6,805,000	5.000%
2018	9,100,000	5.000%
2019	4,445,000	4.125%

EXHIBIT B
[City Attorney's Letterhead]

April __, 2005

Morgan Keegan & Company, Inc.
Nashville, Tennessee

City of Chattanooga
City Council
City of Chattanooga, Tennessee

Re: City of Chattanooga, Tennessee
General Obligation Refunding Bonds, Series 2005A

Ladies and Gentlemen:

As the duly appointed and acting City Attorney for the City of Chattanooga, Tennessee (the "City"), the undersigned has examined, among other documents relevant thereto, the following documents and proceedings in connection with the authorization, issuance, and sale of the Bonds:

- A. The public and private acts of the State of Tennessee pertaining to the creation, incorporation and organization of the City;
- B. All proceedings relating to the organization of the current City Council of the City of Chattanooga (the "Council"), including the right and title of all the present members of the Council to their respective official positions;
- C. All proceedings relating to the election and qualification of _____ as Mayor and the election and qualification of Carol O'Neal as the Clerk of the Council;
- D. The resolutions (collectively, the "Resolution") of the Council adopted on March 8, 2005 and April 12, 2005 pertaining to the authorization, issuance and sale of the Bonds and all proceedings to date and all prior and subsequent notices required therewith; and
- E. The provisions of Section 9-21-101 *et seq.*, *Tennessee Code Annotated*, as amended (collectively, the "Acts").

Based upon the foregoing, and upon such other information and documents as I believe necessary to enable me to render this opinion, I am of the opinion that:

- 1. The City is a governmental corporation lawfully organized, and existing under the laws of the State of Tennessee.

2. The Council is lawfully organized, and all members thereof have good and sufficient title to their respective official positions.

3. _____ is the duly elected, qualified and acting Mayor of the City.

4. Carol O'Neal is the duly elected, qualified and acting Clerk of the Council of the City.

5. The Resolution was lawfully adopted by the Council in accordance with the Acts and laws of the State of Tennessee, and all of the requirements of Title 8, Chapter 44, *Tennessee Code Annotated*, as amended, pertaining to said meetings of the Council have been fulfilled.

6. No provisions or action heretofore taken by the Council pertaining to the authorization and issuance of the Bonds including but not limited to the Resolution, has been repealed, revoked or amended, and said Resolution is still in full force and effect, according to its terms;

7. The Council has taken all steps necessary to authorize the issuance, sale and delivery of the Bonds;

8. No additional or further approval, consent or authorization of any governmental or public agency or authority is required to be obtained by the Council in connection with the issuance of the Bonds; and

9. Neither the electors nor the Council of the City have approved any special, local, or private act passed by the General Assembly of the State of Tennessee at its 2005 or 2004 sessions, which would or could affect the power of the City or its Council to issue the Bonds or to pay the same in accordance with their terms.

There is no litigation of any nature now pending, or to my knowledge threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds or in any manner questioning the validity of the Bonds or in any way contesting the corporate existence or boundaries of the City, or the title of its present officers to their respective offices, or contesting the powers of the City or its authority with respect to the Bonds or proceedings authorizing the Bonds or any act to be done or document or certificate to be executed or delivered in connection with the issuance and delivery of the Bonds.

Very truly yours,

Randall L. Nelson
City Attorney

CITY OF CHATTANOOGA, TENNESSEE

and

DEUTSCHE BANK NATIONAL TRUST COMPANY

ESCROW AGREEMENT

DATED April 27, 2005

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THIS ESCROW AGREEMENT (the "Agreement") made and entered into April 27, 2005, by and between the City of Chattanooga, Tennessee (the "City"), and Deutsche Bank National Trust Company, as Escrow Agent under the City's Resolutions adopted on March 8, 2005 and April 12, 2005 (collectively, the "Resolution"):

WITNESSETH:

WHEREAS, the City has heretofore issued the City of Chattanooga, Tennessee General Obligation , Series 1998, dated as of March 1, 1998 ("Series 1998 Bonds"), General Obligation Bonds, Series 2001, dated as of March 1, 2001 ("Series 2001 Bonds") and General Obligation Bonds, Series 2002 (Hotel-Motel Tax Pledge), dated as of October 24, 2002 ("Series 2002 Bonds" or, together with the Series 1998 Bonds and the Series 2001 Bonds, the "Prior Issues"); and

WHEREAS, \$25,215,000 aggregate principal amount of the Series 1998 Bonds maturing in the years 2007 and 2014 through 2018, inclusive, \$21,010,000 aggregate principal amount of the Series 2001 Bonds maturing in the years 2010 through 2010, inclusive, and \$5,285,000 aggregate principal amount of the Series 2002 Bonds maturing in the years 2012, 2018 and 2019 (hereinafter, collectively, the "Refunded Bonds") are to be refunded by the deposit in trust of moneys or investment securities in an amount sufficient to pay the principal of, redemption price (if any) and interest of the Refunded Bonds, in accordance with the terms of this Agreement; and

WHEREAS, on the date hereof the City is issuing the CITY OF CHATTANOOGA, TENNESSEE \$51,375,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2005A (the "Bonds") to provide a source of funds to refund the Refunded Bonds, as more particularly described herein; and

WHEREAS, in order to redeem the Refunded Bonds on September 1, 2006 with respect to the Refunded Series 1998 Bonds, on March 1, 2009 with respect to the Refunded Series 2001 Bonds, and on October 1, 2010 with respect to the Refunded Series 2002 Bonds (the respective redemption dates hereinafter referred to as the "Redemption Dates"), the City shall cause the Escrow Agent to deposit the amount of \$53,734,043.31 in the Escrow Deposit Trust Fund (as such term is hereinafter defined) which amount consists of proceeds of the Bonds (collectively, the "Deposited Amount"); and

WHEREAS, \$53,734,043.00 of the Deposited Amount will, simultaneously with the execution hereof, be applied to the purchase of the U.S. Obligations (as hereinafter defined), and \$.31 of the Deposited Amount will be held uninvested as cash (the "Initial Cash Deposit"); and

WHEREAS, in order to provide for the proper and timely application of the moneys deposited in said trust to the payment of the Refunded Bonds, it is necessary to enter into this Escrow Agreement with the Escrow Agent on behalf of the holders from time to time of the Refunded Bonds:

ARTICLE I

DEFINITIONS, FINDINGS AND DETERMINATIONS BY THE CITY

Section 1.01 Definitions. In addition to words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings, unless some other meaning is plainly intended;

“Agreement” shall mean this Escrow Agreement, dated April 27, 2005, between the City and the Escrow Agent.

“Authorized Officer” shall mean the City Finance Officer and Assistant City Finance Officer and any other officer of the City so designated in a Resolution of the City Council.

“Bond Counsel Opinion” shall mean the opinion of even date herewith from Pillsbury Winthrop Shaw Pittman LLP confirming the continued exclusion from gross income of interest on the Refunded Bonds and the Bonds following establishment of the Escrow Deposit Trust Fund and defeasance of the Refunded Bonds.

“City” shall mean the City of Chattanooga, Tennessee.

“Escrow Agent” shall mean Deutsche Bank National Trust Company.

“Escrow Deposit Trust Fund” shall mean the fund created pursuant to Section 2.01 of this Agreement.

“Paying Agent” shall mean that person named as paying agent, or any successor thereto, pursuant to the applicable resolution of the City, with respect to each issue of the Refunded Bonds, as the case may be.

“Refunded Series 1998 Bonds” shall mean the Series 1998 Bonds maturing in the years 2007 and 2014 to 2018, inclusive.

“Refunded Series 2001 Bonds” shall mean the Series 2001 Bonds maturing in the years 2010 to 2020, inclusive.

“Refunded Series 2002 Bonds” shall mean the Series 2002 Bonds maturing in the years 2012, 2018 and 2019.

“SLGS” shall mean United States Treasury Certificates of Indebtedness, Treasury Notes and Treasury Bonds -- State and Local Government Series.

“U.S. Obligations” shall mean the direct noncallable obligations of the United States of America including SLGS so named which are described in Schedule “A” attached hereto.

“Verification Report” shall mean the report of Causey Demgen & Moore Inc. of even date herewith directed to, among other parties, the City and the Escrow Agent.

“Written Request” with respect to the City shall mean a request in writing signed by an Authorized Officer of the City satisfactory to the Escrow Agent.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. The word “person” shall include corporations, associations, natural persons and public bodies unless the context shall otherwise indicate. Reference to a person other than a natural person shall include its successors.

ARTICLE II

ESTABLISHMENT OF FUNDS; FLOW OF FUNDS

Section 2.01 Creation of Escrow Deposit Trust Fund; Directions to Escrow Agent; Representations of City. There is hereby created and established with the Escrow Agent a special, separate and irrevocable trust fund for the benefit of the holders of the Refunded Bonds designated the Escrow Deposit Trust Fund (the “Escrow Deposit Trust Fund”) to be held in the custody of the Escrow Agent separate and apart from other funds of the City or of the Escrow Agent.

Concurrently with the execution of this Agreement, and upon receipt of the items described in the next paragraph, the City herewith directs the Escrow Agent to take the following actions:

1. Deposit the Deposited Amount in the Escrow Deposit Trust Fund;
2. Purchase the U.S. Obligations for \$53,734,043.00.

Prior to taking the foregoing actions, the Escrow Agent shall have received the Verification Report and the Bond Counsel Opinion.

The City warrants and represents to the Escrow Agent (i) that the Deposited Amount is sufficient to purchase the U.S. Obligations set forth in Schedule “A” hereto and (ii) that the principal and interest of U.S. Obligations and the Initial Cash Deposit described in Schedule “A” hereto will be sufficient to pay when due principal of, premium, if any, and interest on the respective Redemption Dates for the Refunded Bonds.

Section 2.02 Irrevocable Trust Created. Amounts in the Escrow Deposit Trust Fund shall constitute an irrevocable deposit for the benefit of the holders of the Refunded Bonds, except as provided herein with respect to amendments permitted under Section 4.01 hereof. The holders of the Refunded Bonds shall have an express lien on funds in the Escrow Deposit Trust Fund until such funds are applied in accordance with Section 2.04 of this Agreement.

Section 2.03 Matters Related to Tax-Exemption of Refunded Bonds and Refunding Bonds. The City hereby covenants and agrees that it will not request the Escrow Agent to exercise any of the powers described in this Agreement in any manner which would adversely

affect the exclusion from gross income for Federal income tax purposes of the Bonds or the Refunded Bonds. The Escrow Agent has no responsibility for determining whether Section 148 of the Internal Revenue Code has been complied with. The Escrow Agent shall have no power or duty to invest, sell, transfer or otherwise dispose of the Deposited Amount or the Escrowed Amount (as hereinafter defined), or to make substitutions of the U.S. Obligations or to sell, transfer or otherwise dispose of the U.S. Obligations except as provided in this Agreement.

Section 2.04 Transfers from Escrow Deposit Trust Fund. The principal of and interest on the U.S. Obligations and the Initial Cash Deposit (collectively, the "Escrowed Amount") shall be held in trust by the Escrow Agent, and shall be transferred in the necessary amounts and on the dates as set forth on Schedule "B" hereto, to the Paying Agent for the respective Refunded Bonds for the payment of the principal of, premium (if any), and interest on the Refunded Bonds as the same become due and payable.

The Resolutions for the respective Refunded Bonds provide that amounts paid by the Escrow Agent to the respective Paying Agents from the Escrow Deposit Trust Fund shall be applied by such Paying Agents to the payment of all principal of, premium, if any, and interest on the Refunded Bonds for the equal and ratable benefit of the holders of the Refunded Bonds.

A portion of the investment income or earnings derived from the investment of the Deposited Amount may be transferred to the City upon receipt by the Escrow Agent of a written verification of an independent certified public accountant or a firm of independent certified public accountants in form satisfactory to the Escrow Agent that subsequent to such transfer the Escrowed Amount remaining in the Escrow Deposit Trust Fund are sufficient to pay when due the principal of, premium, if any, and interest on the Refunded Bonds.

Section 2.05 Funds and Accounts Constitute Trust Funds. All the funds and accounts created and established pursuant to this Agreement for the Refunded Bonds shall be and constitute trust funds for the purposes provided in this Agreement and shall be kept separate and distinct from all other funds of the City and the Escrow Agent and used only for the purposes and in the manner provided in this Agreement.

Section 2.06 Transfer of Funds after all Payments Required by this Agreement are Made. After the final transfer by the Escrow Agent to the Paying Agents for the Refunded Bonds shall have been made pursuant to Section 2.04 hereof, all remaining moneys then held in the Escrow Deposit Trust Fund shall be transferred to the City by the Escrow Agent; provided, however, that no such transfer (except transfers of investment income or earnings on the U.S. Obligations made pursuant to Section 2.04 hereof) to the City shall be made until the Escrow Agent shall have received verification from each Paying Agent that it is in receipt of all the principal of, premium, if any, and interest due on the Refunded Bonds.

Section 2.07 Reports to be Submitted by Escrow Agent. The Escrow Agent shall deliver to the Treasurer or recorder of the City a copy of each document evidencing each transfer or transaction relating to the Escrow Deposit Trust Fund, or a report of each transaction or transfer relating to the Escrow Deposit Trust Fund.

Section 2.08 Indemnity. To the extent permitted by law, the City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature, specifically including consequential damages, which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the City or any other person under any other agreement or instrument, but without double indemnity) and in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Deposit Trust Fund, the acceptance of the funds and securities deposited therein, the purchase of the U.S. Obligations, the retention of the U.S. Obligations, or the proceeds thereof, and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the City shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or intentional breach of the terms of this Agreement. In no event shall the City or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than as set forth in this section. The indemnities contained in this section shall survive the termination of this Agreement.

Section 2.09 Responsibilities of Escrow Agent. The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Deposit Trust Fund, the acceptance of the moneys or securities deposited therein, the purchase of U.S. Obligations, the retention of the U.S. Obligations, or the proceeds thereof, the sufficiency of the U.S. Obligations to accomplish the defeasance of the Refunded Bonds or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent made in good faith in the conduct of its duties. The recitals of fact contained in the recitals herein shall be taken as the statements of the City, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the validity or sufficiency of this Agreement or as to the security afforded by this Agreement and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an Authorized Officer.

In the event of the Escrow Agent's failure to account for any of the U.S. Obligations or the Initial Cash Deposit, including any investment income or earnings thereon, or moneys

received by it, as a result of its negligence or willful misconduct, said U.S. Obligations, Initial Cash Deposit, or moneys shall be held in trust for the holders of the Refunded Bonds as herein provided, and if for any improper reason such U.S. Obligations, Initial Cash Deposit or moneys are not applied as herein provided, the Escrow Agent shall be liable for the amount thereof until the required application shall be made.

Section 2.10 Agreement to Notify Paying Agents to Call Refunded Bonds.The City hereby irrevocably instructs the Escrow Agent, and the Escrow Agent hereby agrees, in the name of the City, to take the following actions: (i) for the Refunded Series 1998 Bonds, to notify SunTrust Bank, in its capacity as Paying Agent for such Refunded Series 1998 Bonds, to cause to be mailed not fewer than 30 days prior to September 1, 2006, a notice of redemption in substantially the same form as set forth in Exhibit C-1 hereto, to The Depository Trust Company, or its successor, as the registered owner of each Refunded Series 1998 Bond, (ii) for the Refunded Series 2001 Bonds, to notify US Bank Trust NA, in its capacity as Paying Agent for such Refunded Series 2001 Bonds, to cause to be mailed not fewer than 30 days prior to March 1, 2009, a notice of redemption in substantially the same form as set forth in Exhibit C-2 hereto, to The Depository Trust Company, or its successor, as the registered owner of each Refunded Series 2001 Bond, and (iii) for the Refunded Series 2002 Bonds, to notify US Bank, National Association, in its capacity as Paying Agent for such Refunded Series 2002 Bonds, to cause to be mailed not fewer than 30 days prior to March October 1, 2010, a notice of redemption in substantially the same form as set forth in Exhibit C-3 hereto, to The Depository Trust Company, or its successor, as the registered owner of each Refunded Series 2002 Bond, in accordance with the Resolution.

ARTICLE III

CONCERNING THE ESCROW AGENT

Section 3.01 Successor Escrow Agent. The Escrow Agent may resign at any time by notice in writing given to the City Finance Officer, or may be removed upon application by the owners of a majority in principal amount of the Refunded Bonds then outstanding or may be removed for cause by the City. The Escrow Agent hereby agrees that any notice of resignation given by it shall state that such resignation shall not take effect unless a successor Escrow Agent shall have been appointed by the holders of the Refunded Bonds or by the City as hereinafter provided and such successor Escrow Agent shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

In the event the Escrow Agent shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case the Escrow Agent shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the holders of a majority in principal amount of the Refunded Bonds then outstanding, by an instrument or concurrent instruments in writing, signed by such holders, or by their attorneys in fact, duly authorized in writing; provided, nevertheless, that in any such event, the City shall appoint a temporary Escrow Agent to fill such vacancy until a successor Escrow Agent shall be appointed in the

manner above provided, and any such temporary Escrow Agent so appointed by the City shall immediately and without further act be superseded by the Escrow Agent so appointed.

In the event that no appointment of a successor Escrow Agent or a temporary successor Escrow Agent shall have been made by such holders or the City pursuant to the foregoing provisions of this Section within forty-five (45) days after written notice of resignation of the Escrow Agent has been given to the City, any holder of Refunded Bonds or any retiring Escrow Agent may apply to any court or competent jurisdiction for the appointment of a successor Escrow Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Escrow Agent.

No successor Escrow Agent shall be appointed unless such successor Escrow Agent shall be a corporation, located in the State of Tennessee, with trust powers organized under the banking laws of the United States or the State of Tennessee, and shall have at the time of appointment capital, surplus and undivided profits of not less than \$50,000,000.

Every successor Escrow Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the City, an instrument in writing accepting such appointment hereunder and thereupon such successor Escrow Agent without any further act, deed or conveyance, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of such successor Escrow Agent or the City execute and deliver an instrument transferring to such successor Escrow Agent all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Escrow Agent shall deliver all securities and moneys held by it to its successor; provided, however, that before any such delivery is required to be made, all fees, advances and expenses of the retiring or removed Escrow Agent shall be paid in full. Should any transfer, assignment or instrument in writing from the City be required by any successor Escrow Agent for more fully and certainly vesting in such successor Escrow Agent the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor Escrow Agent, any such transfer, assignment and instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

Any corporation into which the Escrow Agent, or any successor to it in the trusts created by this Agreement, may be merged or converted or with which it or any successor to it may be consolidated, or any corporation resulting from any merger, conversion, consolidation or reorganization to which the Escrow Agent or any successor to it shall be a party shall, if approved in writing by the City, be the successor Escrow Agent under this Agreement without the execution or filing of any paper or any other act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

ARTICLE IV

MISCELLANEOUS

Section 4.01 Amendments to this Agreement. This Agreement is made for the benefit of the City and the holders from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Escrow Agent

and the City; provided, however, that the City and the Escrow Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Escrow Agent shall be entitled to rely exclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Section 4.02 Substitution of Securities. Notwithstanding the foregoing or any other provisions of this Agreement, at the written request of the City and upon compliance with the conditions hereinafter stated, the Escrow Agent shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of the U.S. Obligations held hereunder, and to substitute therefor direct obligations of the United States of America, which shall for all purposes of this Agreement be deemed to be U.S. Obligations, subject to the condition that, as evidenced by an accountant's certificate referenced to below, the moneys or principal amount of securities thereafter held by the Escrow Agent shall be sufficient to pay when due the principal of, premium, if any, and interest on the Refunded Bonds.

The City hereby covenants and agrees that it will not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner which would adversely affect the exclusion from gross income for Federal income tax purposes of the interest on Refunded Bonds or on the Bonds. The Escrow Agent shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the U.S. Obligations held hereunder or from other moneys available. Such substitution of securities may be effected only if there shall have been obtained (i) a statement provided by an independent certified public accountant or a firm of certified public accountants prior to any such substitution, that after any such substitution the principal amount of the substituted securities in such fund or funds and other moneys to be held by the Escrow Agent will be sufficient to pay when due the principal of, premium, if any, and interest on the Refunded Bonds and (ii) an opinion from nationally recognized bond counsel addressed to the City and the Escrow Agent to the effect that the disposition and substitution or purchase of such securities complies with this Section and will not under current law cause the interest on the Refunded Bonds or on the Bonds to be included in gross income for Federal income taxation.

Any surplus moneys resulting from the sale, transfer, other disposition or redemption of the U.S. Obligations held hereunder and the substitutions therefor of direct obligations of the

United States of America, shall be transferred to the City. Such transfer shall not be made by the Escrow Agent until a written verification of an independent certified public accountant or a firm of independent certified public accountants is received by the Escrow Agent in form satisfactory to the Escrow Agent that, subsequent to such transfer the moneys and U.S. Obligations remaining in the Escrow Deposit Trust Fund are sufficient to pay when due the principal of premium, if any, and interest on the Refunded Bonds.

Section 4.03 Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the City or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

Section 4.04 Agreement Binding. All the covenants, promises and agreements in this Agreement contained by or on behalf of the City or by or on behalf of the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 4.05 Termination. This Agreement shall terminate when all transfers and payments required to be made by the Escrow Agent under the provisions hereof shall have been made.

Section 4.06 Governing Law. This Agreement shall be governed by the applicable law of the State of Tennessee.

Section 4.07 Execution by Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SCHEDULE A

INVESTMENTS IN ESCROW DEPOSIT
TRUST FUND

See attached schedules from Causey Demgen &
Moore, Inc. Report

SCHEDULE B-1

PAYMENT REQUIREMENTS ON REFUNDED BONDS

City of Chattanooga, Tennessee

Debt Service Schedule of outstanding General Obligation Bonds, Series 1998, dated as of March 1, 1998, maturing September 1, 2007 and September 1, 2014 through September 1, 2018, inclusive, to the Redemption Date.

<u>Payment Date</u>	<u>Principal Payable</u>	<u>Principal Redeemed</u>	<u>Interest Payable</u>	<u>Redemption Premium</u>	<u>Total Debt Service</u>
	\$	\$0	\$	\$	\$

[To Come]

Paying Agent, SunTrust Bank.

SCHEDULE B-2

PAYMENT REQUIREMENTS ON REFUNDED BONDS

City of Chattanooga, Tennessee

Debt Service Schedule of outstanding General Obligation Bonds, Series 2001, dated as of March 1, 2001, maturing March 1, 2010 through March 1, 2020, inclusive, to the Redemption Date.

<u>Payment Date</u>	<u>Principal Payable</u>	<u>Principal Redeemed</u>	<u>Interest Payable</u>	<u>Redemption Premium</u>	<u>Total Debt Service</u>
	\$	\$	\$	\$	\$
[To come]					

Paying Agent, U.S. Bank Trust NA

SCHEDULE B-3

PAYMENT REQUIREMENTS ON REFUNDED BONDS

City of Chattanooga, Tennessee

Debt Service Schedule of outstanding General Obligation Bonds, Series 2002 (Hotel-Motel Tax Pledge), dated as of October 24, 2002, maturing October 1, 2012, October 1, 2018 and October 1, 2019, to the Redemption Date.

<u>Payment Date</u>	<u>Principal Payable</u>	<u>Principal Redeemed</u>	<u>Interest Payable</u>	<u>Redemption Premium</u>	<u>Total Debt Service</u>
	\$	\$	\$	\$	\$
[To come]					

Paying Agent, U.S. Bank, National Association.

EXHIBIT C-1

NOTICE OF REDEMPTION
CITY OF CHATTANOOGA, TENNESSEE
GENERAL OBLIGATION BONDS, SERIES 1998
MATURING SEPTEMBER 1, IN THE YEARS
2007 and 2014 - 2018 INCLUSIVE

Notice is hereby given to the Owners of the outstanding General Obligation Bonds, Series 1998, dated as of March 1, 1998 (the "Bonds") of the City of Chattanooga, Tennessee that said Bonds having the scheduled maturities listed hereinbelow, in the aggregate principal amount of \$25,215,000, will be called for redemption prior to maturity, on September 1, 2006, in accordance with their terms as set forth below, together with accrued interest and redemption premium thereon to September 1, 2006.

Maturity (September 1)	Principal Amount	Cusip No.
2007	\$ 2,835,000	
2014	4,050,000	
2015	4,250,000	
2018	14,080,000	

The redemption price of and accrued interest on such Bonds shall become due and payable on September 1, 2006, and from and after September 1, 2006, interest on such Bonds shall cease to accrue and be payable.

There have been deposited with Deutsche Bank National Trust Company (the "Escrow Agent"), pursuant to the provisions of an Escrow Agreement, dated as of April 27, 2005, between the City and the Escrow Agent, certain governmental obligations (the "Securities") and initial cash. The Securities will mature in amounts and bear interest sufficient, together with the initial cash, to meet principal and interest payments and redemption premiums on the Bonds on the date such payments are due.

All registered owners presenting Bonds for redemption must submit a completed Department of Treasury Internal Revenue Service Form W-9 with said Bonds. Failure to provide completed Form W-9 will result in backup withholding to bondholders. Copies of Form W-9 may be obtained from the Internal Revenue Service or such other location as Internal Revenue Service Forms are generally available.

Owners of such Bonds will receive payment of the redemption price and accrued interest to which they are entitled upon presentation and surrender thereof at the corporate trust offices of the paying agent, SunTrust Bank.

Dated this ___ day of _____, _____.

CITY OF CHATTANOOGA, TENNESSEE

By: SUNTRUST BANK,
as Paying Agent

EXHIBIT C-2

NOTICE OF REDEMPTION
CITY OF CHATTANOOGA, TENNESSEE
GENERAL OBLIGATION BONDS, SERIES 2001
MATURING SEPTEMBER 1, IN THE YEARS
2010 - 2020 INCLUSIVE

Notice is hereby given to the Owners of the outstanding General Obligation Bonds, Series 2001, dated as of March 1, 2001 (the "Bonds") of the City of Chattanooga, Tennessee that said Bonds having the scheduled maturities listed hereinbelow, in the aggregate principal amount of \$21,010,000, will be called for redemption prior to maturity, on March 1, 2009, in accordance with their terms as set forth below, together with accrued interest and redemption premium thereon to March 1, 2009.

Maturity (March 1)	Principal Amount	Cusip No.
2010	\$1,470,000	
2011	1,545,000	
2012	1,625,000	
2013	1,700,000	
2014	1,785,000	
2015	1,880,000	
2016	1,980,000	
2017	2,080,000	
2018	2,195,000	
2019	2,310,000	
2020	2,440,000	

The redemption price of and accrued interest on such Bonds shall become due and payable on March 1, 2009, and from and after March 1, 2009, interest on such Bonds shall cease to accrue and be payable.

There have been deposited with Deutsche Bank National Trust Company (the "Escrow Agent"), pursuant to the provisions of an Escrow Agreement, dated as of April 27, 2005, between the City and the Escrow Agent, certain governmental obligations (the "Securities") and initial cash. The Securities will mature in amounts and bear interest sufficient, together with the initial cash, to meet principal and interest payments and redemption premiums on the Bonds on the date such payments are due.

All registered owners presenting Bonds for redemption must submit a completed Department of Treasury Internal Revenue Service Form W-9 with said Bonds. Failure to provide completed Form W-9 will result in backup withholding to bondholders. Copies of Form W-9 may be obtained from the Internal Revenue Service or such other location as Internal Revenue Service Forms are generally available.

Owners of such Bonds will receive payment of the redemption price and accrued interest to which they are entitled upon presentation and surrender thereof at the corporate trust offices of the paying agent, US Bank Trust NA.

Dated this ___ day of _____, _____.

CITY OF CHATTANOOGA, TENNESSEE

By: US BANK TRUST NA,
as Paying Agent

EXHIBIT C-3

NOTICE OF REDEMPTION
CITY OF CHATTANOOGA, TENNESSEE
GENERAL OBLIGATION BONDS, SERIES 2002 (HOTEL-MOTEL TAX PLEDGE)
MATURING OCTOBER 1, IN THE YEARS
2012, 2018 and 2019

Notice is hereby given to the Owners of the outstanding General Obligation Bonds, Series 2002 (Hotel-Motel Tax Pledge), dated as of October 24, 2002 (the "Bonds") of the City of Chattanooga, Tennessee that said Bonds having the scheduled maturities listed hereinbelow, in the aggregate principal amount of \$5,285,000, will be called for redemption prior to maturity, on October 1, 2010, in accordance with their terms as set forth below, together with accrued interest and redemption premium thereon to October 1, 2010.

Maturity (October 1)	Principal Amount	Cusip No.
2012	\$1,225,000	
2018	1,950,000	
2019	2,110,000	

The redemption price of and accrued interest on such Bonds shall become due and payable on October 1, 2010, and from and after October 1, 2010, interest on such Bonds shall cease to accrue and be payable.

There have been deposited with Deutsche Bank National Trust Company (the "Escrow Agent"), pursuant to the provisions of an Escrow Agreement, dated as of April 27, 2005, between the City and the Escrow Agent, certain governmental obligations (the "Securities") and initial cash. The Securities will mature in amounts and bear interest sufficient, together with the initial cash, to meet principal and interest payments and redemption premiums on the Bonds on the date such payments are due.

All registered owners presenting Bonds for redemption must submit a completed Department of Treasury Internal Revenue Service Form W-9 with said Bonds. Failure to provide completed Form W-9 will result in backup withholding to bondholders. Copies of Form W-9 may be obtained from the Internal Revenue Service or such other location as Internal Revenue Service Forms are generally available.

Owners of such Bonds will receive payment of the redemption price and accrued interest to which they are entitled upon presentation and surrender thereof at the corporate trust offices of the paying agent, US Bank, National Association.

Dated this ____ day of _____, _____.

CITY OF CHATTANOOGA, TENNESSEE

By: US BANK, NATIONAL ASSOCIATION
as Paying Agent