

RESOLUTION NO. 25797

A RESOLUTION AMENDING RESOLUTION NO. 25746 AND AUTHORIZING FORTY FIVE MILLION FOUR HUNDRED FIFTEEN THOUSAND DOLLARS (\$45,415,000.00) CITY OF CHATTANOOGA, TENNESSEE GENERAL OBLIGATION BONDS, SERIES 2009 AND AUTHORIZING CERTAIN ACTIONS RELATED THERETO.

WHEREAS, due to unfavorable market conditions in December, 2008, the sale of the Bonds authorized by Resolution No. 25746 was postponed from its original date in December, 2008 and rescheduled for January 8, 2009; and

WHEREAS, the designation of the Bonds as set forth in Resolution No. 25746 is hereby amended to read and such Bonds are to be known and designated as "THE CITY OF CHATTANOOGA, TENNESSEE GENERAL OBLIGATION BONDS, SERIES 2009." All references in Resolution No. 25746 to the "Series 2008" Bonds are hereby amended to read "Series 2009."

WHEREAS, pursuant to Notice of Sale dated December 23, 2008 for the City Of Chattanooga, Tennessee General Obligation Bonds, Series 2009 (the "Bonds"), the following proposals have been received:

<u>BIDDER</u>	<u>TRUE INTEREST RATE</u>
Morgan Keegan & Co., Inc.	3.816264
BMO Capital Markets	3.830553
BB&T Capital Markets	3.846542
Wachovia Bank, National Association	3.849850
Raymond James & Associates, Inc.	3.852016
Hutchinson, Shockey, Erley & Co.	3.852649

UBS Financial Services Inc.	3.861342
Citigroup Global Markets Inc.	3.920409
Prager, Sealy & Co., LLC	3.921456
Piper Jaffray	3.937320
Goldman, Sachs & Co.	4.355510

WHEREAS, the proposal of Morgan, Keegan & Co., Inc. ("Purchaser") offering to pay the principal sum of \$45,415,000.00 plus premium in the amount of \$681,667.70, together with accrued interest, bearing a true interest rate of 3.816264% per annum, referred to above, is the highest and most advantageous bid for said Bonds as determined in the manner provided in said Notice of Sale, and in all other respects complies with said Notice of Sale form attached hereto as Exhibit A;

NOW THEREFORE,

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

SECTION 1. That Resolution No. 25746 is hereby amended to designate the Bonds authorized thereunder as "THE CITY OF CHATTANOOGA, TENNESSEE GENERAL OBLIGATION BONDS, SERIES 2009" and all references to "Series 2008" therein shall be amended to "Series 2009."

SECTION 2. That the proposal of said Purchaser, referred to in the preamble hereof, is accepted, and said \$45,415,000.00 City Of Chattanooga, Tennessee General Obligation Bonds, Series 2009, dated January 15, 2009, bearing interest and maturing as described below, be, and the same hereby are awarded to said Purchaser in accordance with the terms of their proposal.

**GENERAL OBLIGATION BONDS MATURITY SCHEDULE**

<u>Nov.1</u>	<u>Principal Amount</u>	<u>Rate</u>	<u>Nov 1</u>	<u>Principal Amount</u>	<u>Rate</u>
2009	2,275,000	3.000	2020	2,270,000	4.000
2010	2,275,000	4.000	2021	2,270,000	4.000
2011	2,275,000	3.000	2022	2,270,000	4.000
2012	2,270,000	3.000	2023	2,270,000	4.125
2013	2,270,000	3.000	2024	2,270,000	4.250
2014	2,270,000	3.000	2025	2,270,000	4.375
2015	2,270,000	3.000	2026	2,270,000	4.500
2016	2,270,000	3.000	2027	2,270,000	4.500
2017	2,270,000	3.250	2028	2,270,000	4.625
2018	2,270,000	3.500			
2019	2,270,000	4.000			

Interest on the Bonds is payable on November 1, 2009 and each May 1 and November 1

thereafter.

The Bonds maturing on or after November 1, 2019 are subject to optional redemption prior to maturity by the City, or on after November 1, 2018, out of money deposited with or held by the Registration Agent for such purpose, as a whole or in part at any time at the price of par.

SECTION 3. That the Mayor and City Finance Officer of the City of Chattanooga be and are hereby authorized and directed to execute said Bonds, and to deliver said Bonds to the Purchaser and to receive payment therefor without further authority from this City Council.

SECTION 4. That the City Finance Office be and is hereby authorized and directed to return forthwith the good faith checks of all unsuccessful bidders, if any.

SECTION 5. That the Official Statement dated January 8, 2009, and the information contained therein to be used in connection with the offering and sale of said Bonds is hereby approved and further, that the City hereby ratifies, confirms and approves the use of the Preliminary Official Statement of the City, dated December 23, 2008, and Notice of Sale of the City, dated December 23, 2008, in connection with the offering and sale of said Bonds. The

Official Statement may be modified in a manner not inconsistent with the substance thereof as shall be deemed advisable by the City or Financial Advisor to the City and by bond counsel to the City. The Mayor or any proper officer of the City is hereby authorized and directed to sign the Official Statement and any amendment or supplement thereto, in the name of and on behalf of the City and deliver the same and any such amendment or supplement.

SECTION 6. That U.S. Bank National Association is hereby appointed registrar and paying agent for said Bonds.

SECTION 7. That this Resolution shall take effect from and after its adoption, the public welfare requiring it.

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ADOPTED: January 8, 2009

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***OFFICIAL NOTICE OF SALE***

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**CITY OF CHATTANOOGA, TENNESSEE**  
**\$45,415,000\* General Obligation Bonds, Series 2009**

Electronic Bids Only, as Described Herein  
Will Be Accepted Until  
10:00 a.m., Eastern Time, Thursday, January 8, 2009\*

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\* Preliminary, subject to change as provided herein.

## CONTACTS

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Chattanooga, TN 37402

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Daisy Madison, CPA  
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### Legal Opinion

**Katten Muchin Rosenman LLP**  
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Craig Scully  
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### Financial Advisor

**Public Financial Management, Inc.**  
530 Oak Court Drive, Suite 160  
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(901) 682-8356  
Fax: (901) 682-8386

Lisa Daniel, Managing Director  
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### **BiDCOMP/PARITY®**

Customer Service

(212) 404-8102

### **i-Deal Prospectus**

Client Services

(212) 404-8104

OFFICIAL NOTICE OF SALE

CITY OF CHATTANOOGA, TENNESSEE  
\$45,415,000\* General Obligation Bonds, Series 2009

*NOTICE IS HEREBY GIVEN* that electronic bids will be received on the date and up to the time specified below:

SALE DATE: January 8, 2009\*

SALE TIME: 10:00 a.m. Eastern Time\*

ELECTRONIC BIDS: Must be submitted through *PARITY*<sup>®</sup> as described below.

**No other form of bid or provider of electronic bidding services will be accepted.**

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Bids will be received for the purchase of all, but not less than all, of the \$45,415,000\* General Obligation Bonds, Series 2009 (the "Bonds") to be issued by the City of Chattanooga, Tennessee (the "City"). The Bonds are more particularly described in the Preliminary Official Statement dated December 23, 2008 relating to the Bonds, available at the i-Deal Prospectus website, [www.i-dealprospectus.com](http://www.i-dealprospectus.com). Prior to accepting bids, the City reserves the right to change the principal amount of the Bonds being offered, and certain terms of the Bonds as described herein, to postpone the sale to a later date, or to cancel the sale of the Bonds based upon market conditions as discussed herein. Notice of a change or cancellation will be announced via Thomson Municipal News at the internet website address [www.tm3.com](http://www.tm3.com) not later than 10:00 a.m., Eastern Time, on the business day preceding the bid opening. Such notice will specify the revised principal amount or feature, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Thomson Municipal News service at the internet website address [www.tm3.com](http://www.tm3.com). Consideration of the bids and the award will be made by the City Council at its meeting at 12:00 noon Eastern Time on the Sale Date (as set forth above and in the Bidding Parameters table herein). The City will continue to reserve the right to adjust the principal amount of the Bonds offered, to eliminate maturities, or to cancel the sale of the Bonds after the bids are opened as further described herein. See ADJUSTMENT OF AMOUNTS AND MATURITIES.

**BIDDING PARAMETERS TABLE\***

INTEREST		PRICING	
Dated Date:	January 15, 2008	Max. Reoffering Price	
Delivery Date:	January 15, 2008	Each Maturity:	110.0%
Interest Payment Dates:	May 1 and November 1	Aggregate:	105.0%
First Interest:	November 1, 2009	Min. Reoffering Price	
Coupon Multiples:	1/8 or 1/20 of 1%	Each Maturity:	98.5%
Maximum Coupon:	5.50%	Aggregate:	99.0%
Minimum Coupon:	N.A.		
Maximum TIC:	5.50%	<b>PROCEDURAL</b>	
		Sale Date:	January 8, 2009
<b>PRINCIPAL</b>		Bid Submission:	Electronic bids through PARITY only
Redemption Provisions:	On or after 11/1/2019 callable on 11/1/2018 and thereafter at par.	All or None:	Yes
Principal Increases Each Maturity:	15%	Bid Award Method:	Lowest TIC
Aggregate:	10%	Bid Confirmation:	Fax Signed PARITY screen
Principal Reductions Each Maturity:	15%	Awarding of Bid:	City Council at its meeting to be held at 12:00 p.m. Eastern Time on Sale Date
Aggregate:	10%	Good Faith Deposit:	\$908,300; as more fully described on page 8 "Good Faith Deposit"
Term Bonds:	Any two or more consecutive maturities after 11/1/2018; Must have sinkers equal to amortization	Insurance:	May be purchased by the bidder at its option

**Principal Maturities\*\***

(Due November 1 in the years indicated):

Maturity	Principal	Maturity	Principal
2009	\$2,275,000	2019	\$2,270,000
2010	2,275,000	2020	2,270,000
2011	2,275,000	2021	2,270,000
2012	2,270,000	2022	2,270,000
2013	2,270,000	2023	2,270,000
2014	2,270,000	2024	2,270,000
2015	2,270,000	2025	2,270,000
2016	2,270,000	2026	2,270,000
2017	2,270,000	2027	2,270,000
2018	2,270,000	2028	2,270,000

\* If numerical or date references contained in the body of this Official Notice of Sale conflict with the Bidding Parameters Table, the body of this Official Notice of Sale shall control. Consult the body of this Official Notice of Sale for a detailed explanation of the items contained in the Bidding Parameters Table, including interpretation of such items and methodologies used to determine such items.

\*\* Subject to adjustment as set forth herein.



*THE BONDS*

The Bonds will be issued in fully registered, book-entry only form, without coupons, will be dated as of the date set forth in the Bidding Parameters Table; will be issued in denominations of \$5,000 or integral multiples thereof; and will bear interest from their date until paid or duly called for redemption at the annual rate or rates specified by the successful bidder, subject to the limitations specified below, payable as shown on the Bidding Parameters Table. Interest will be computed on the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to the rules of the Municipal Securities Rulemaking Board ("MSRB"). The Bonds must meet the minimum and maximum coupon and pricing criteria shown in the Bidding Parameters Table on a maturity and aggregate basis.

The Bonds will mature on the month and day, in the years and principal amounts shown on the Bidding Parameters Table as either serial bonds or as term bonds with sinking fund installments as described under "Designation of Term Bonds."

*OPTIONAL REDEMPTION*

The Series 2009 Bonds are subject to optional redemption prior to maturity by the City, on or after November 1, 2018 out of money deposited with or held by the Registration Agent for such purpose, as a whole or in part at any time, at the option of the City at the price of par.

*MANDATORY REDEMPTION*

In accordance with the Official Notice of Sale, a bidder may elect to combine certain serial maturities into one or more Term Bonds. If the winning bidder designates Term Bonds, then the following provisions will apply to the Term Bonds.

The Term Bonds being offered and maturing on November 1, 20\_\_ and November 1, 20\_\_ are subject to mandatory sinking fund in part by lot as shown below at a redemption price equal to the principal amount to be redeemed, plus accrued interest to the redemption date:

Date (November 1)	Principal <u>Amount</u>
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*NOTICE OF REDEMPTION*

Written notice of redemption shall be mailed to registered owners of the Series 2009 Bonds at least thirty days before the redemption date. While Depository Trust Company ("DTC") or its nominee is the registered owner of the Series 2009 Bonds, the City shall send the notice of redemption to DTC and the City shall not be responsible for mailing notices of redemption to Participants or Indirect Participants or to the Beneficial Owners of the Series 2009 Bonds. Any failure of DTC to mail such notice to any Participant will not affect the sufficiency or the validity of the redemption of the Series 2009 Bonds.

*SECURITY*

The Series 2009 Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the boundaries of the City. For the prompt payment of principal of, premium, if any, and interest on the Series 2009 Bonds, the full faith and credit of the City are irrevocably pledged.

The City, through the City Council, shall annually levy and collect a tax upon all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay principal of, premium, if

any, and interest on the Series 2009 Bonds when due. Principal, premium, if any, and interest falling due at any time when there are insufficient funds from this tax levy on hand shall be paid from the current funds of the City and reimbursement therefor shall be made out of the taxes hereby provided to be levied when the same shall have been collected.

#### *ADJUSTMENT OF AMOUNT AND MATURITIES*

The aggregate principal amount of each maturity of the Bonds is subject to adjustment by the City after the receipt of the bids for their purchase as specified in the Bidding Parameters Table. Changes to be made after the opening of the bids will be communicated to the successful bidder directly by 10:00 a.m., Eastern Time, on the date following the Sale Date.

Prior to the Sale Date, the City may cancel the sale of the Bonds or adjust the aggregate principal amount and the principal amount of any maturity. Notice of a change or cancellation will be announced via Thomson Municipal News at the internet website address [www.tm3.com](http://www.tm3.com) not later than 10:00 a.m., Eastern Time, on the business day preceding the bid opening.

After the receipt of the bids for their purchase, the City may cancel the sale the Bonds or adjust the aggregate principal amount and the principal amount of each maturity of the Bonds; provided that such adjustments are within the limitations set forth in the Bidding Parameters Table, calculated based on the applicable bid amount. The City will consult with the successful bidder before adjusting the amount of any maturity of the Bonds or canceling the sale of the Bonds; however, the City reserves the sole right to make adjustments, within the limits described above, or cancel the Bonds. Any adjustments made after the opening of the bids will be communicated to the successful bidder directly by 10:00 a.m., Eastern Time, on the date following the Sale Date. Adjustments within the limits described above will not relieve the successful bidder from its obligation to purchase all of the Bonds offered by the City, assuming the City has satisfied all other conditions of this Official Notice of Sale.

In the event that the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price (as a percentage of principal) for each maturity and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The "Underwriter's Discount" shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

#### *FORM AND PAYMENT*

The Bonds will be issued in fully registered, book-entry only form and a bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York ("DTC"), registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds, with transfers of ownership affected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, will be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. Principal of, premium, if any, and interest on, the Bonds will be payable by the Paying Agent by wire transfer or in clearinghouse funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal, premium, if any, and interest payments to the beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Neither the City nor the Paying Agent will be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. The successful bidder will be required to furnish to DTC within seven (7) days after the sale the customary underwriter's questionnaire and information as to each DTC participant and the Bonds to be held for it.

Payment of principal of, and premium, if any, on the Bonds will be made by the City by wire transfer through U.S. Bank National Association, the registrar/paying agent (the "Registration Agent"), to DTC or its nominee, Cede & Co., as registered owner of the Bonds on the month and day, in the years and amounts established in accordance with the award of the Bonds. Interest on the Bonds is payable on the dates shown in the Bidding Parameters Table. Interest payments on the Bonds will be mailed by the Paying Agent on each interest payment date to the owners of the Bonds at the addresses listed on the registration books maintained by the Paying Agent for such purpose. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal, interest and any redemption premium on the Bonds will be made to DTC or its nominee.

#### *PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT*

The City has authorized the preparation and distribution of a Preliminary Official Statement dated December 23, 2008 (the "Preliminary Official Statement") containing information relating to the Bonds. The Preliminary Official Statement comprises the deemed "final" Official Statement required by Rule 15c2-12 of the Securities and Exchange Commission. The City will furnish the successful bidder on the date of closing, with its certificate, in its usual form, as to the completeness and accuracy of the Official Statement.

The Preliminary Official Statement, this Notice of Sale and any other information concerning the proposed financing will be available electronically at i-Deal's website, [www.i-dealprospectus.com](http://www.i-dealprospectus.com). Assistance in obtaining the documents will be provided by i-Deal's customer service at (212) 404-8104 or from Public Financial Management, Inc., 530 Oak Court Drive, Suite 160, Memphis, Tennessee 38117-3722, (901) 682-8356, [mccoyj@pfm.com](mailto:mccoyj@pfm.com) (Attention: Joshua McCoy).

The Preliminary Official Statement, when amended to reflect the actual amount of the Bonds sold, the interest rates specified by the successful bidder and the price or yield at which the successful bidder will reoffer the Bonds to the public, together with any other information required by law, will constitute a "Final Official Statement" with respect to the Bonds as that term is defined in Rule 15c2-12. No more than seven (7) business days after the date of the sale, the City will provide without cost to the successful bidder up to 100 copies of the Final Official Statement. If the Bonds are awarded to a syndicate, the City will designate the senior managing underwriter of the syndicate as its representative for purposes of distributing copies of the Final Official Statement to each participating underwriter. Any underwriter submitting a bid with respect to the Bonds agrees thereby that if its bid is accepted, it shall accept such designation and shall enter into a contractual relationship with all participating underwriters for the purpose of assuring the receipt and distribution by each participating underwriter of the Final Official Statement.

#### *CONTINUING DISCLOSURE*

As set forth in the Preliminary Official Statement, the City will contract with the successful bidder as to continuing disclosure as required by Rule 15c2-12 pursuant to the City's standard continuing disclosure agreement, copies of which are available upon request from the City. A description of the certificate is also set forth in the Preliminary Official Statement.

#### *TAX STATUS*

As set forth in the Official Statement and subject to the limitations set forth therein, bond counsel's opinion will include an opinion that, under existing law and subject to compliance by the City with certain covenants and requirements, interest on the Bonds will be excluded from gross income of the owners thereof for Federal income tax purposes and is not an item of tax preference for purposes of computing the individual or corporate alternative minimum tax. The owner of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds. For a discussion thereof, reference is hereby made to the Preliminary Official Statement and the form of opinion contained therein. Such

opinion of bond counsel will further include an opinion that, under existing Tennessee law, the Bonds and the income therefrom are exempt from all Tennessee state, county and municipal taxes except for inheritance, transfer and estate taxes and except to the extent interest on the Bonds may be included within the measure of Tennessee certain privilege and excise taxes.

#### *LEGAL OPINION*

The Bonds will be issued and sold subject to approval as to legality by Katten Muchin Rosenman LLP, bond counsel, whose approving opinion substantially in the form attached as an exhibit to the Preliminary Official Statement will be delivered, upon request, to the successful bidder for the Bonds, without charge.

#### *BIDDING PROCEDURE; OFFICIAL BID FORMS*

Only electronic bids submitted via **BiDCOMP/PARITY**<sup>®</sup> during the bidding time period will be accepted. No other form of bid or provider of electronic bidding services will be accepted. **No bid delivered by facsimile directly to the City will be accepted.** Bidders are permitted to submit bids for the Bonds during the bidding time period, provided they are eligible to bid as described under "ELIGIBILITY TO BID" below.

Each bid must be unconditional and received by **PARITY**<sup>®</sup> before the Sale Time set forth in the Bidding Parameters Table. No proposal to purchase the Bonds may be withdrawn after the deadline set for receiving bids. Prior to the deadline set for receiving bids, an eligible prospective bidder may, subject to the limitation which may be imposed by **PARITY**<sup>®</sup> modify the proposed terms of its bid in which event the proposed terms last modified will constitute its bid for the Bonds, or, subject to limitations which may be imposed by **PARITY**<sup>®</sup>. At the deadline stated above for receiving bids, the bidding process will close and each bid shall then constitute an irrevocable offer to purchase the Bonds on the terms provided in the bid and this Official Notice of Sale.

#### *ELECTRONIC BIDDING*

Electronic bids may be submitted via **PARITY**<sup>®</sup> only. No other provider of electronic bidding services will be accepted. The use of **PARITY**<sup>®</sup> electronic bidding shall be at the bidder's risk and expense, and the City shall have no liability with respect thereto. The City is using electronic bidding as a communications medium and **PARITY**<sup>®</sup> is not acting as the City's agent.

Each electronic bid submitted via **PARITY**<sup>®</sup> shall be deemed an offer, in response to this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The successful bidder must confirm such bid by a signed **PARITY**<sup>®</sup> Bid Form and a signed statement of reoffering prices, both delivered by fax to the City (at the number specified in "Contacts" at the front of this Official Notice of Sale) no later than one hour after being notified by the City of being the winning bidder, the original of each of which must be received by City on the following business day at the address shown above. Failure to deliver this written confirmation does not relieve the bidder of the obligation to purchase the Bonds.

If any provisions of this Official Notice of Sale conflict with information provided by **PARITY**<sup>®</sup>, this Official Notice of Sale shall control. The City is not bound by any advice or determination of **PARITY**<sup>®</sup> as to whether any bid complies with the terms of this Official Notice of Sale. The time as maintained by **PARITY**<sup>®</sup> shall constitute the official time with respect to all bids submitted.

### *ELIGIBILITY TO BID*

The City does not have a registration requirement for prospective bidders. However, bidders must be contracted customers of the BidCOMP Competitive Bidding System and should promptly contact PARITY® directly at (212) 404-8102 for information about PARITY®, including its rules and fees, and becoming a contracted customer. In the event any bidder desires to submit a bid and is not a contracted customer of BidCOMP Competitive Bidding System, such bidder should contact the financial advisor of the City to arrange to participate in the bidding process.

### *FORM OF BID, INTEREST RATES AND BID PRICES*

All bids must conform to the requirements of this Official Notice of Sale. Bidders must bid to purchase all maturities of the Bonds. No bid will be considered which does not offer to purchase all of the Bonds. Each bid must specify (1) an annual rate of interest for each maturity, (2) reoffering price or yield for each maturity and (3) a dollar purchase price for the entire issue of the Bonds.

A bidder must specify the rate or rates of interest per annum (with no more than one rate of interest per maturity), which the Bonds are to bear, to be expressed in the coupon rate multiples set forth in the Bidding Parameters Table. Any number of interest rates may be named, but the Bonds of each maturity must bear interest at the same single rate for all bonds of that maturity.

Each bid for the Bonds must meet the minimum and maximum coupon and pricing criteria shown in the Bidding Parameters Table on a maturity and aggregate basis.

Each bidder must specify, as part of its bid, the prices or yields at which a substantial amount (i.e., at least 10%) of the Bonds of each maturity will be offered and sold to the public. Reoffering prices presented as a part of the bids will not be used in computing the bidders' true interest cost. As promptly as reasonably possible after bids are received, the City will notify the successful bidder that it is the apparent winner.

### *MUNICIPAL BOND INSURANCE*

Each bidder for the Bonds must specify, as part of its bid, whether a commitment for bond insurance has been obtained by such bidder and, if so, the amount of the premium for such insurance. The amount of any such premium must be included in the purchase price for the Bonds. The failure of a bidder to specify insurance in its bid will constitute a representation that the bidder has not obtained such an insurance commitment or that such insurance does not result in arbitrage true interest cost savings to the City. If an insurance commitment has been obtained and the insurance will produce arbitrage true interest cost savings to the City, such matters must be confirmed at the time the bidder is notified that it is the apparent winner, as described in "FORM OF BID, INTEREST RATES AND BID PRICES" above, and also with a certificate, and the successful bidder must furnish other related certificates from the insurer, satisfactory to the City in form and substance, delivered simultaneously with delivery of the Bonds. Qualification of insurance for the Bonds is borne by the bidder.

### *AWARD OF BID*

The City expects the Bonds will be awarded to the winning bidder by the City Council at its meeting to be held at 12:00 noon Eastern Time on the Sale Date. Bids may not be withdrawn prior to the award. Unless all bids are rejected, the Bonds will be awarded by the City on the Sale Date to the bidder whose bid complies with this Official Notice of Sale and results in the lowest true interest cost to the City. The lowest true interest cost will be determined in accordance with the True Interest Cost ("TIC") method by doubling the semi-annual interest rate, compounded semi-annually, necessary to discount the debt service payments from the payment dates to the Dated Date of the Bonds and to the aggregate purchase price of the Bonds. If two or more bidders offer to purchase the Bonds at the same lowest TIC, the Bonds may be apportioned between such bidders if it is agreeable to each of the bidders who have offered the

price producing the same lowest TIC; provided, that if apportionment is not acceptable to such bidders, the City will have the right to award the Bonds to one of such bidders. There will be no auction.

#### *RIGHT OF REJECTION*

The City expressly reserves the right (i) to waive any informalities, (ii) to reject all bids, any incomplete bid or any bid not fully complying with all of the requirements set forth herein, and (iii) to solicit new bids or proposals for the sale of the Bonds or otherwise provide for the public sale of the Bonds if all bids are rejected or the winning bidder defaults.

#### *DELIVERY AND PAYMENT*

Delivery of the Bonds will be made by the City to DTC in book-entry only form, in New York, New York on or about the Delivery Date shown in the Bidding Parameters Table, or such other date agreed upon by the City and the successful bidder. Payment for the Bonds must be made in Federal Funds or other funds immediately available to the City at the time of delivery of the Bonds. Any expenses incurred in providing immediate funds, whether by transfer of Federal Funds or otherwise, will be borne by the purchaser. The cost of printing the Bonds, if any, will be borne by the City.

#### *RIGHT OF CANCELLATION*

The successful bidder will have the right, at its option, to cancel its obligation to purchase if the Registration Agent fails to execute the Bonds and tender the same for delivery within 60 days from the date of sale thereof, and in such event the successful bidder will be entitled to the return of the Good Faith Deposit accompanying its bid.

#### *GOOD FAITH DEPOSIT*

A Good Faith Deposit in the amount of \$908,300 is required of the winning bidder only for the Bonds. The winning bidder for the Bonds is required to submit such Good Faith Deposit payable to the order of the City in the form of a wire transfer in federal funds as instructed by the City's Financial Advisor, Public Financial Management, Inc. The winning bidder shall submit the Good Faith Deposit not less than two hours after verbal award is made. The winning bidder should provide as quickly as it is available, evidence of wire transfer by providing the City the federal funds reference number. If the Good Faith Deposit is not received in the time allotted, the bid of the winning bidder may be rejected and the City may direct the next lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the Bonds to the same. If the winning bidder fails to comply with the Good Faith Deposit requirement as described herein, that bidder is none the less obligated to pay to the City the sum of \$911,800 as liquidated damages due to the failure of the winning bidder to timely deposit the Good Faith Deposit.

***Submission of a bid to purchase the Bonds serves as acknowledgement and acceptance of the terms of the Good Faith Deposit requirement.***

The Good Faith Deposit so wired will be retained by the City until the delivery of the Bonds, at which time the Good Faith Deposit will be applied against the purchase price of the Bonds or the good faith deposit will be retained by the City as partial liquidated damages in the event of the failure of the successful bidder to take up and pay for such Bonds in compliance with the terms of the Official Notice of Sale and of its bid. No interest on the good faith deposit will be paid by the City. The balance of the purchase price must be wired in federal funds to the account detailed in the closing memorandum, simultaneously with delivery of the Bonds.

#### *NO LITIGATION*

There is no litigation pending concerning the validity of the Bonds, the existence of the City, or the entitlement of the officers thereof to their respective offices, and the successful bidder will be

furnished a no-litigation certificate certifying to the foregoing as of and at the time of the delivery of the Bonds.

#### *CUSIP NUMBERS*

It is anticipated that CUSIP numbers will be assigned to the Bonds, but neither failure to print such numbers to any Bond nor any error with respect thereto will constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The policies of the CUSIP Service Bureau will govern the assignment of specific numbers to the Bonds. The successful bidder will be responsible for applying for and obtaining, subject to the CUSIP Service Bureau policy and procedures, CUSIP numbers for the Bonds. All expenses in relation to the CUSIP Service Bureau charge for the assignment of said numbers will be the responsibility of and will be paid for by the successful bidder.

#### *BLUE SKY*

The City has not taken any action relating to the requirements of the securities or "blue sky" laws of any jurisdiction with respect to the offer and sale of the Bonds. In addition, the City is aware that certain jurisdictions have filing requirements, which must be satisfied prior to any offer and sale of the Bonds to the public.

#### *REOFFERING PRICE CERTIFICATE*

Simultaneously with or before the delivery of the Bonds, the successful bidder shall furnish to the City a certificate acceptable to Bond Counsel stating (i) the reoffering prices (as shown on the bidder's winning bid); (ii) that the successful bidder has made a bona fide public offering of the Bonds at the reoffering prices; and (iii) that at least 10% or more in par amount of the Bonds of each maturity have been sold to the public (excluding bond houses, brokers and other intermediaries) at such reoffering prices. Such certificate must be made on the best knowledge, information and belief of the successful bidder and the delivery of such certificate shall be a condition to the delivery of the Bonds. The reoffering price may not be greater or less than the maximum and minimum reoffering prices set forth in the Bidding Parameters Table for both the entire issue and each maturity.

#### *CERTIFICATE*

The City will deliver to the purchaser of the Bonds a certificate of an official of the City, dated the date of delivery of said Bonds, stating that as of the date thereof, to the best of the knowledge and belief of said official, the Official Statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statement made, in light of the circumstances under which they were made, not misleading.

#### *ADDITIONAL INFORMATION*

Additional information may be obtained from Daisy Madison, City Finance Officer, [madison\\_d@mail.chattanooga.gov](mailto:madison_d@mail.chattanooga.gov), (423) 757-5230, or Joshua McCoy, [mccoyj@pfin.com](mailto:mccoyj@pfin.com), of Public Financial Management, Inc., (901) 682-8356.

CITY OF CHATTANOOGA, TENNESSEE

/s/ Ron Littlefield

Mayor

Dated: December 23, 2008