

RESOLUTION NO. 26375

A RESOLUTION APPROVING THE ISSUANCE BY THE INDUSTRIAL DEVELOPMENT BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE, OF CHATTANOOGA LEASE RENTAL REFUNDING REVENUE BONDS SERIES 2010 AND AUTHORIZING CERTAIN ACTION RELATING THERETO.

WHEREAS, Pursuant to and in accordance with the provisions of the Constitution and laws of the State of Tennessee, including particularly, but without limitation, the provisions of Title 7, Chapter 53 of the Tennessee Code entitled "Industrial Development Corporations," as amended, the provisions of Title 12, Chapter 2, Part 3, of the Tennessee Code entitled "Sales and Leases by Municipalities to and from Not-for-profit Corporations," as amended (collectively, the "Act"), and the terms of an Indenture of Trust, dated as of October 1, 2000 (the "Indenture") between The Industrial Development Board of the City of Chattanooga (the "Issuer"), an industrial development corporation and a public instrumentality of the City of Chattanooga duly organized and operating under the Act, and First Tennessee Bank National Association, as trustee (the "Trustee"), the Issuer issued its lease rental revenue bonds (the "Series 2000 Bonds") to finance the cost of designing, acquiring, constructing and equipping a public conference center, a convention center expansion and refurbishing, a development resource center and a public parking garage and related infrastructure improvements and projects (which facilities together with the land on which they are located, are hereinafter referred to collectively as the "Project");

and

WHEREAS, Issuer loaned the proceeds of the Bonds to Chattanooga Downtown Redevelopment Corporation (formerly known as Southside Redevelopment Corporation) (the "Corporation") to enable Corporation to acquire, construct, improve, and equip the Project; and

WHEREAS, Pursuant to the Conference Center Complex and Parking Garage Lease Agreement, dated as of October 1, 2000 as amended by the first and second amendment thereto, (the "Lease Agreement") between the Corporation, as lessor and the City of Chattanooga, Tennessee (the "City"), as lessee, Corporation leased the Project to the City for public use in return for rentals sufficient to pay, when due, principal of, premium, if any, and interest on the Bonds in addition to certain operating expenses of the Corporation; and

WHEREAS, The Issuer has proposed refunding certain maturities of the Series 2000 Bonds by the issuance of Lease Rental Refunding Revenue Bonds Series 2010 (the "Refunding Bonds") to be secured by rentals payable by the City pursuant to the Lease Agreement; and

WHEREAS, It is proposed that the City approve the issuance of the Refunding Bonds by the Issuer and the City participate in the savings related to such refunding.

NOW, THEREFORE,

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

SECTION 1. That it is necessary, advantageous, desirable and in the best interests of the City and its residents that the City Council approve the issuance of Refunding Bonds by the Issuer to refund certain of the Series 2000 Bonds.

SECTION 2. The Mayor and City Finance Officer are hereby authorized and empowered to execute and deliver, or cause to be executed and delivered such documents and to

do all such acts and things as may be necessary or desirable in connection with the issuance, execution and delivery of the Refunded Bonds.

ADOPTED: July 20, 2010

Chattanooga Downtown Redevelopment Corporation City of Chattanooga, TN

2004 Swaption Alternatives

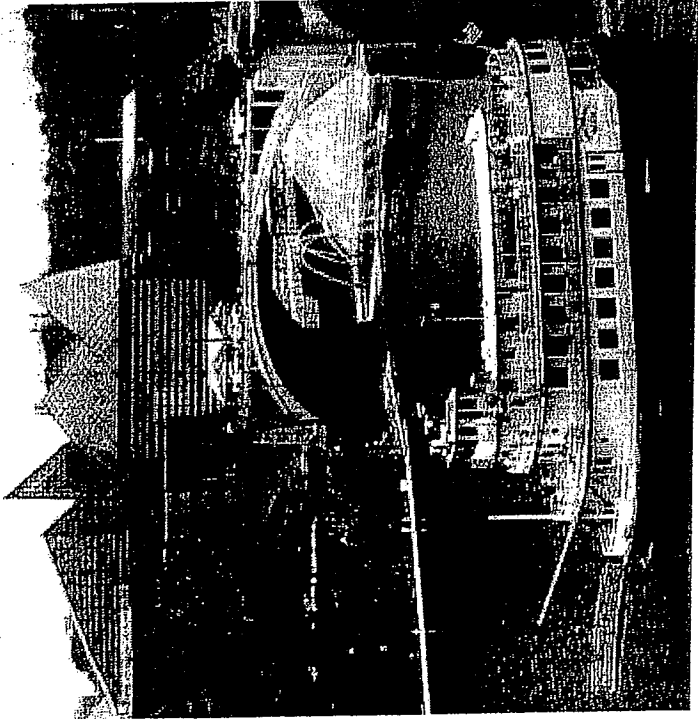
July 14, 2010



Public Financial Management, Inc.

Two Logan Square
Suite 1600
Philadelphia, PA
215-567-6100
215-567-4180 Fax

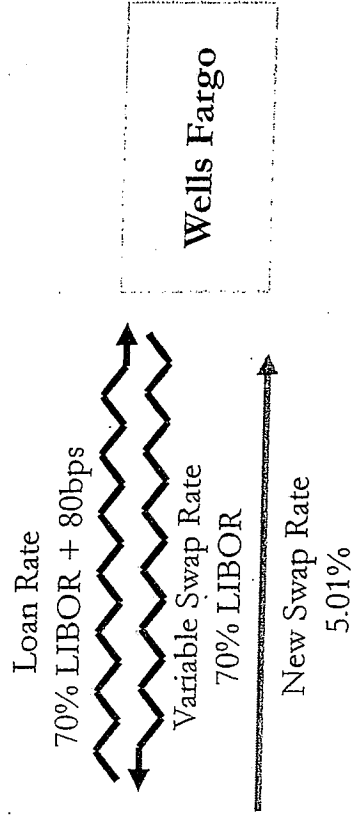
Suite 160
530 Oak Court Drive
Memphis, TN 38117-3722
901 682-8356
901 682-8386 fax



Alternative #2 – Direct Loan with Wells Fargo



- Option 2 submitted by Wells Fargo
- Series 2000 bonds are refunded by a directly placed bank loan from Wells Fargo at a rate of 70% LIBOR + 80bps
- The variable rate on the swap is amended so that the IDB receives 70% of LIBOR to match what is paid on the direct loan, thereby eliminating any basis risk
- Wells Fargo would lower the swap rate to 5.01% to reflect the amended index
- While not explicitly mentioned in the proposal PFM expects the term length to be 3-5 years



IDB of Chattanooga

All in Rate: 5.81%

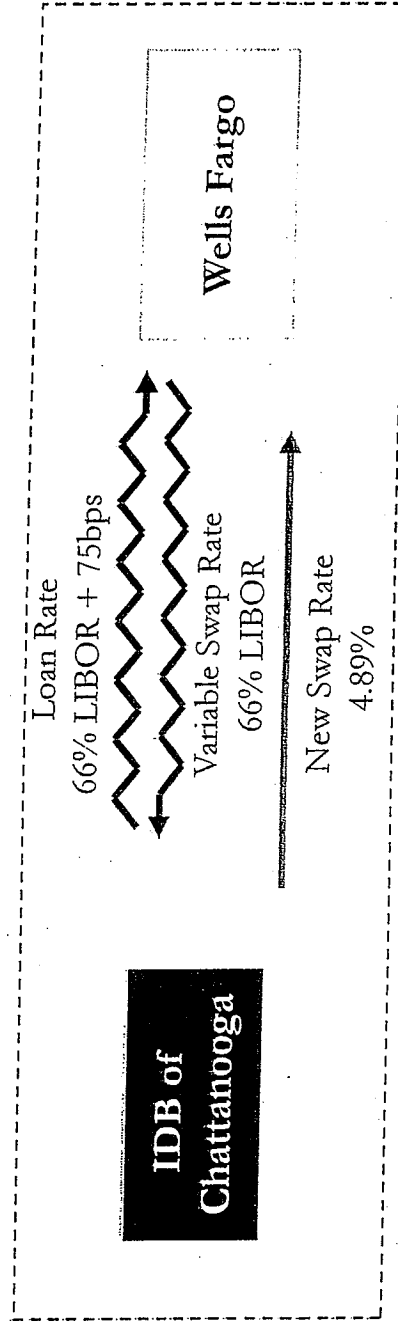


Alternative #2B – Direct Loan with Wells Fargo



- Variation on option 2 submitted by Wells Fargo, allowing the IDB to benefit from Bank Qualified status (Par amount < \$30MM per calendar year)
- In 2010, 50% of the Series 2000 bonds are refunded by a direct loan from Wells Fargo, we expect that rate to be more competitive, for example 66% LIBOR + 75bps
- The variable rate on the existing swap is amended so the IDB receives 66% of Libor to match what the IDB pays on the loan, eliminating basis risk
- Wells Fargo would lower the swap rate to 4.89% to reflect the expected, amended index
- PFM expects the term length to be 5-7 years on the direct loan
- The remaining bonds would be refunded in 2011

50%
Approx.
\$30MM



All in Rate: 5.64%



Alternative #2B continued – Direct Loan with Wells Fargo

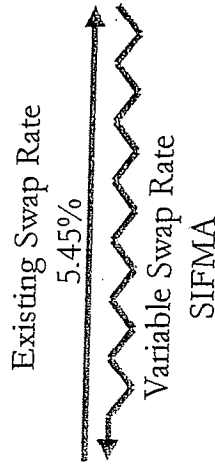


- For the balance of the Series 2000 not refunded in 2010 a portion of the existing swap stays in place until second bond refunding in early 2011
 - IDB would pay the 5.45% and receive SIFMA on the remaining swap
 - IDB continues to pay higher fixed rate on remaining Series 2000
- In early 2011, we determine the best course of action based on market conditions.
Possible alternatives:
 - fixed rate refunding,
 - another direct loan, or
 - variable rate bonds

- The slightly higher rate the IDB will pay for a few months on the remaining portion of Series 2000 will be offset by a lower cost financing in early 2011

50%
Approx.
\$30MM

**IDB of
Chattanooga**



Wells Fargo



