

RESOLUTION NO. 27916

A RESOLUTION AUTHORIZING TWENTY-FIVE MILLION, NINE HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$25,925,000) CITY OF CHATTANOOGA, TENNESSEE GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A, AND AUTHORIZING CERTAIN ACTIONS RELATED THERETO.

WHEREAS, pursuant to Notice of Sale dated June 18, 2014 for the City of Chattanooga, Tennessee General Obligation Refunding Bonds, Series 2014A (the “**Bonds**”), the following proposals have been received for the Bonds:

BIDDER	TRUE INTEREST RATE
Citigroup Global Markets Inc.	1.787292
Robert W. Baird & Co., Inc.	1.812870
BMO Capital Markets	1.820542
SunTrust Robinson Humphrey	1.820641
Raymond James & Associates, Inc.	1.838501
Wells Fargo Bank, National Association	1.846407
Janney Montgomery Scott LLC	1.847916
Guggenheim Securities, LLC	1.853278
FTN Financial Capital Markets	1.859263
William Blair & Company, LLC	1.862003
Hutchinson, Shockey, Erley & Co.	1.864274
J.P. Morgan Securities LLC	1.992805

WHEREAS, the proposal of Citigroup Global Markets Inc. (“**Purchaser**”) offering to pay the principal sum of \$25,925,000 plus premium in the amount of \$2,534,195.50, together with accrued interest, bearing a true interest rate of 1.793453% 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 the proposal of said Purchaser, referred to in the preamble hereof, is accepted, and said \$25,925,000.00 City of Chattanooga, Tennessee General Obligation Refunding Bonds, Series 2014A, dated July 8, 2014, 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 REFUNDING BONDS MATURITY SCHEDULE

Sept. 1	Principal Amount	Rate
2017	1,410,000	1.7500
2018	9,885,000	4.0000
2019	5,185,000	5.0000
2020	1,405,000	3.0000
2021	1,385,000	2.0000
2022	1,360,000	2.2500
2023	1,345,000	3.0000
2024	1,330,000	3.0000
2025	1,315,000	3.0000
2026	1,305,000	3.0000

Interest on the Bonds is payable on September 1, 2014 and each September 1 and March 1 thereafter.

The Bonds maturing on or after September 1, 2024 are subject to optional redemption prior to maturity by the City, or on after September 1, 2023, 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 2. 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 3. That the City Finance Officer be and is hereby authorized and directed to return forthwith the good faith checks of all unsuccessful bidders.

SECTION 4. That the Official Statement dated June 24, 2014, 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 June 18, 2014, and as supplemented on June 23, 2014, and Notice of Sale of the City, dated June 18, 2014, 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 the refunding of \$13,545,000 General Obligation Refunding Bonds, Series 2005A maturing on September 1, 2018 and September 1, 2019 and \$13,200,000 General

Obligation Bonds, Series 2006A maturing November 1, 2017 through November 1, 2026, both inclusive, (collectively “**the Refunded Bonds**”) is hereby authorized with the proceeds of the Bonds.

SECTION 8. That U.S. Bank National Association is hereby appointed escrow agent for the Refunded Bonds.

SECTION 9. That the form of Escrow Agreement attached hereto as Exhibit B is hereby approved and the Mayor and City Finance Officer are hereby authorized and empowered to execute and deliver such Escrow Agreement with such changes as the Mayor and City Finance Officer determine are necessary.

SECTION 10. That this Resolution shall take effect from and after its adoption, the public welfare requiring it.

ADOPTED: June 24, 2014

OFFICIAL NOTICE OF SALE

**CITY OF CHATTANOOGA, TENNESSEE
\$25,420,000* General Obligation Refunding Bonds, Series 2014 A**

**Electronic Bids Only, as Described Herein
Will Be Accepted Until
10:00 a.m., Eastern Time, Tuesday, June 24, 2014***

* Preliminary, subject to change.

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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

\$25,420,000* General Obligation Refunding Bonds, Series 2014 A

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

SALE DATE: June 24, 2014*

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

ELECTRONIC BIDS: Must be submitted through *PARITY*[®] as described below.

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

Bids will be received for the purchase of all, but not less than all, of the \$25,420,000* General Obligation Refunding Bonds, Series 2014 A (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 June 18, 2014 relating to the Bonds, available at the i-Deal Prospectus website, www.i-dealprospectus.com. Prior to accepting bids, the City reserves the right to change the principal amount of the Bonds being offered, 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 not later than 11:00 am 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. Consideration of the bids and the award will be made by the City Council no later than 4:00 pm 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.

* Preliminary, Subject to change.

BIDDING PARAMETERS TABLE*

INTEREST		PRICING	
Dated Date:	July 8, 2014	Max. Reoffering Price	
Delivery Date:	July 8, 2014	Each Maturity:	120.0%
Interest Payment Dates:	September 1 and March 1	Aggregate:	110.0%
First Interest:	September 1, 2014	Min. Reoffering Price	
Coupon Multiples:	1/8 or 1/20 of 1%	Each Maturity:	98.5%
Maximum Coupon:	5.5%	Aggregate:	99.0%
Minimum Coupon:	N.A.		
Maximum TIC:	N.A.	PROCEDURAL	
		Sale Date:	June 24, 2014
		Bid Submission:	Electronic bids through PARITY only
PRINCIPAL		All or None:	Yes
Redemption Provisions:	On or after September 1, 2024 callable on September 1, 2023 and thereafter at par.		
Principal Increases		Bid Award Method:	Lowest TIC
Each Maturity:	15%		
Aggregate:	15%	Bid Confirmation:	Fax Signed PARITY screen
Principal Reductions		Awarding of Bid:	City Council at its meeting to be held at 4:00 pm Eastern Time on Sale Date
Each Maturity:	15%		
(See Note 1)		Good Faith Deposit:	\$250,000; as more fully described on page 8 "Good Faith Deposit"
Aggregate:	15%	Insurance:	May be purchased by the bidder at its option
Term Bonds:	Any two or more consecutive maturities after September 1, 2023; Must have sinkers equal to amortization		

Principal Maturities (Due September 1 in the years indicated)**

<u>Due September 1,</u>	
2017	1,290,000
2018	9,940,000
2019	5,215,000
2020	1,265,000
2021	1,275,000
2022	1,285,000
2023	1,295,000
2024	1,295,000
2025	1,280,000
2026	1,280,000

Note 1: The City's Bonds are being issued as a refunding series. A detailed description of the series of bonds being refunded can be located in the Preliminary Official Statement. If, at the time of pricing, any of the refunded maturities negatively impacts the City's targeted present value savings, the City may opt to eliminate one or more maturities of the Bonds, and the City may opt to eliminate the issue of the Refunded Bonds.

* 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 Bonds are subject to optional redemption prior to maturity by the City, on or after September 1, 2024 out of money deposited with or held by the Paying 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

Bidders for the Bonds may, at their option, designate consecutive principal amounts payable on or after the maturity set forth in the Bidding Parameters Table to be combined into term bonds as set forth in the Bidding Parameters Table. Each such term bond designated will be subject to mandatory sinking fund redemption commencing on the principal payment date of the first year which has been combined to form such term bond and continuing on the principal payment date in each year thereafter until the stated maturity date of such term bond, which will be the last year combined to form such term bond. The amount redeemed in any year will be equal to the principal amount for such year as set forth in the principal maturities schedule set forth in the Bidding Parameters Table, subject to the adjustments as described therein. The Bonds to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par.

NOTICE OF REDEMPTION

Written notice of redemption shall be mailed to registered owners of the Bonds at least thirty days before the redemption date. While Depository Trust Company (“DTC”) or its nominee is the registered owner of the 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 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 Bonds.

SECURITY

The 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 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 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 therefore 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 each Series 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 of the Bonds. Notice of a change or cancellation will be announced via Thomson Municipal News at the internet website address www.tm3.com not later than 11:00 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 of 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 sale of 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 "Paying 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 June 18, 2014 (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. 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, lowel@pfm.com (Attention: Lauren Lowe).

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 50 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 certificate, 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®** 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® 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® modify the proposed terms of its bid in which event the proposed terms last modified will constitute its bid for the Bonds. 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® only. No other provider of electronic bidding services will be accepted. The use of PARITY® 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® is not acting as the City's agent.

Each electronic bid submitted via PARITY® 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® 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®, this Official Notice of Sale shall control. The City is not bound by any advice or determination of PARITY® as to whether any bid complies with the terms of this Official Notice of Sale. The time as maintained by PARITY® 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 no later than 4:00 p.m. 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 Paying 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 \$250,000 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 \$250,000 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 W. Madison, City Finance Officer, madison_d@chattanooga.gov, (423) 643-4363, or Lauren Lowe, lowel@pfin.com, of Public Financial Management, Inc., (901) 682-8356.

CITY OF CHATTANOOGA, TENNESSEE

/s/ Andy Berke _____
Mayor

Dated: June 18, 2014

CITY OF CHATTANOOGA, TENNESSEE

and

U.S. BANK NATIONAL ASSOCIATION

ESCROW AGREEMENT

DATED July [], 2014

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT (the "Agreement") made and entered into July [], 2014, by and between the City of Chattanooga, Tennessee (the "City"), and U.S. Bank National Association, as Escrow Agent, under the City's Resolutions adopted on June 10, 2014 and June 24, 2014 (collectively, the "Resolutions"):

WITNESSETH:

WHEREAS, the City has heretofore issued the City of Chattanooga, Tennessee General Obligation Refunding Bonds, Series 2005A, dated as of _____ (the "Series 2005A Bonds") and the City of Chattanooga, Tennessee General Obligation Bonds, Series 2006A, dated as of _____ (the "Series 2006A Bonds"); and

WHEREAS, \$13,545,000 aggregate principal amount of the Series 2005A Bonds maturing in the years 2018 and 2019, each inclusive (the "Series 2005A Refunded Bonds"), and \$13,200,000 aggregate principal amount of the Series 2006A Bonds maturing in the years 2017 through 2026, both inclusive (the "2006A 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 \$[] GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A (the "2014A Bonds") to provide a source of funds to refund the Refunded Bonds, as more particularly described herein; and

WHEREAS, in order to redeem the 2005A Refunded Bonds and the 2006A Refunded Bonds on November [], 2011 (the "Redemption Date"), the City shall cause the Escrow Agent to deposit the amount of \$[] in the Escrow Deposit Trust Fund (as such term is hereinafter defined) which amount consists of proceeds of the 2014A Bonds (collectively, the "Deposited Amount"); and

WHEREAS, \$[] of the Deposited Amount will, simultaneously with the execution hereof, be applied to the purchase of the U.S. Obligations (as hereinafter defined), and \$[] 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 July [], 2014, 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 Katten Muchin Rosenman 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 U.S. Bank National Association.

“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 Resolution of the City, with respect to the Refunded Bonds.

“Refunded Bonds” shall mean the 2005A Refunded Bonds and the 2006A Refunded Bonds.

“Series 2005A Bonds” shall mean the City’s General Obligation Refunding Bonds 2005A Series.

“Series 2005A Refunded Bonds” shall mean the Series 2005A Bonds maturing in the years 2018 and 2019, both inclusive.

“Series 2006A Bonds” shall mean the City’s General Obligation Bonds 2006A Series.

“Series 2006A Refunded Bonds” shall mean the Series 2006A Bonds maturing in the years 2017 through 2026, both inclusive.

“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 non-callable 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 [_____] 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 \$[_____].

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 Redemption Date 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 2014A 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 2014A 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 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 Resolution for the Refunded Bonds provide that amounts paid by the Escrow Agent to the Paying Agent from the Escrow Deposit Trust Fund shall be applied by such Paying Agent 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 the 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. 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: (1) to give notice to U.S. Bank National Association, in its capacity as Paying Agent for the 2005A Refunded Bonds, to cause to be mailed not fewer than 30 days prior to September 1, 2014, a notice of redemption in substantially the same form as set forth in Schedule C-1 hereto, to the Depository Trust Company, or its successor, as the registered owner of each 2005A Refunded Bond, in accordance with the Series 2005A Bond Resolution; and (2) to give notice to U.S. Bank National Association, in its capacity as Paying Agent for such 2006A Refunded Bonds, to cause to be mailed not fewer than 30 days prior to November 1, 2016, a notice of redemption in substantially the same form as set forth in Schedule C-2 hereto, to The Depository Trust Company, or its successor, as the registered owner of each 2006A Refunded Bond, in accordance with the Series 2006A 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 2014A 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.

[Signature page follows.]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed by its duly authorized officers and its corporate seal to be hereunto affixed and attested as of the date first above written.

CITY OF CHATTANOOGA, TENNESSEE

By: _____
City Finance Officer

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent**

By: _____
Authorized Officer

SCHEDULE A

INVESTMENTS IN ESCROW DEPOSIT TRUST FUND

SCHEDULE B

PAYMENT REQUIREMENTS ON REFUNDED BONDS

SCHEDULE C-1

NOTICE OF REDEMPTION

**CITY OF CHATTANOOGA, TENNESSEE
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2005A
MATURING OCTOBER 1, IN THE YEARS
2018 and 2019**

Notice is hereby given to the Owners of the outstanding General Obligation Bonds, Series 2005A, dated as of _____ (the "Bonds"), of the City of Chattanooga, Tennessee that said Bonds having the scheduled maturities listed hereinbelow, in the aggregate principal amount of \$13,545,000, will be called for redemption prior to maturity, on September 1, 2014, in accordance with their terms as set forth below, together with accrued interest and redemption premium thereon to September 1, 2014.

Maturity (September 1)	Principal Amount	Cusip No.	Redemption Price
2018	\$ 9,100,000		100%
2019	\$ 4,445,000		100%

The redemption price of and accrued interest on such Bonds shall become due and payable on September 1, 2014, and from and after September 1, 2014, interest on such Bonds shall cease to accrue and be payable.

There have been deposited with U.S. Bank National Association (the "Escrow Agent"), pursuant to the provisions of an Escrow Agreement, dated as of July [], 2014, 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, U.S. Bank National Association.

Dated this ___ day of _____, 2014.

CITY OF CHATTANOOGA, TENNESSEE

By: U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent

SCHEDULE C-2

NOTICE OF REDEMPTION

**CITY OF CHATTANOOGA, TENNESSEE
GENERAL OBLIGATION BONDS, SERIES 2006A
MATURING MAY 1, IN THE YEARS
2017 through 2026, both inclusive**

Notice is hereby given to the Owners of the outstanding General Obligation Bonds, Series 2006A, (the "Bonds"), of the City of Chattanooga, Tennessee that said Bonds having the scheduled maturities listed hereinbelow, in the aggregate principal amount of \$13,200,000, will be called for redemption prior to maturity, on November 1, 2016, in accordance with their terms as set forth below, together with accrued interest and redemption premium thereon to November 1, 2016.

Maturity (November 1)	Principal Amount	Cusip No.	Redemption Price
2017	\$1,320,000		100%
2018	\$1,320,000		100%
2019	\$1,320,000		100%
2020	\$1,320,000		100%
2021	\$1,320,000		100%
2023	\$2,640,000		100%
2034	\$1,320,000		100%
2025	\$1,320,000		100%
2026	\$1,320,000		100%

The redemption price of and accrued interest on such Bonds shall become due and payable on November 1, 2016, and from and after November 1, 2016, interest on such Bonds shall cease to accrue and be payable.

There have been deposited with U.S. Bank National Association (the "Escrow Agent"), pursuant to the provisions of an Escrow Agreement, dated as of July [], 2014, 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, U.S. Bank National Association.

Dated this ___ day of _____, 2014.

CITY OF CHATTANOOGA, TENNESSEE

By: U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent