Resolution # R-16-04

The Board of Mayor and Aldermen of the City of Fayetteville, Tennessee, met in regular session on April 12, 2016, at 5:00 p.m. at the Municipal Building, East Side Public Square, Fayetteville, Tennessee, with the Honorable Jon Law., Mayor, presiding.

The following Aldermen were present:

Danny Bryant, Violet Harry, Gwen Shelton, Dorothy Small and Michael Whisenant.

The following Aldermen were absent:

Anna Catherine Cowley.

After the meeting was duly called to order, the following resolution was introduced by Michael Whisenant, seconded by Dorothy Small and after due deliberation, was adopted by the following vote:

AYE:

Danny Bryant, Violet Harry, Gwen Shelton, Dorothy Small and Michael Whisenant.

NAY:

None.

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED $10,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2016 OF THE CITY OF FAYETTEVILLE, TENNESSEE; MAKING PROVISION FOR THE ISSUANCE, SALE AND PAYMENT OF SAID BONDS; ESTABLISHING THE TERMS THEREOF AND THE DISPOSITION OF PROCEEDS THEREFROM; PROVIDING FOR THE COLLECTION AND DISPOSITION OF REVENUES FROM THE ELECTRIC SYSTEM OF THE CITY OF FAYETTEVILLE, TENNESSEE; AND MAKING PROVISION FOR THE OPERATION OF SAID SYSTEM.

WHEREAS, the City of Fayetteville, Tennessee (the "Municipality") is duly incorporated pursuant to Chapter 294 of the 1903 Private Acts of the State of Tennessee, as amended;

WHEREAS, the Municipality owns and operates a municipal electrical power distribution system (the "System") through the Board of Public Utilities (the "Utilities Board") of the Municipality;

WHEREAS, the Board of Mayor and Aldermen (the "Governing Body") of the Municipality has determined that it is the best interest of the Municipality to issue electric system revenue bonds and use the proceeds to refinance all or portion of the Municipality's outstanding Electric System Revenue Bonds, Series 2007 (the "Series 2007 Bonds") for the purpose of achieving debt service savings;

WHEREAS, said bonds will not be general obligations of the Municipality and bondholders will have no recourse to the Municipality's power of taxation, but instead, said bonds will be payable from and secured solely by the revenues of the System;

WHEREAS, said electric system revenue bonds may be issued on a parity of lien with any remaining outstanding Electric System Revenue Bonds, Series 2007 (the "Unrefunded 2007 Bonds") and the Municipality's outstanding Electric System Revenue Refunding Bonds, Series 2009 (the "Series 2009 Bonds") under a resolution of the Board of Mayor and Aldermen of the Municipality adopted May 13, 2003, as heretofore supplemented and amended to authorize the issuance of the Series 2007 Bonds and the Series 2009 Bonds (the "Master Resolution"); and

WHEREAS, it is the intention of the Board of Mayor and Aldermen of the Municipality to adopt this resolution for the purpose of authorizing the issuance of said electric system revenue bonds in an aggregate principal amount not to exceed $10,000,000 to refinance all or a portion of the Series 2007 Bonds, establishing the terms of said bonds, providing for the issuance, sale and payment of the bonds, and the disposition of the proceeds therefrom, and the collection of revenues from the System and the application thereof to the payment of principal of, premium, if any, and interest on the bonds;

NOW, THEREFORE, BE IT RESOLVED by the Board of Mayor and Aldermen of the City of Fayetteville, Tennessee, as follows:

Section 1. Definitions. All capitalized terms used herein but not defined in this Section 1 or in the foregoing recitals shall have the meanings ascribed to them in the Master Resolution (as defined in the preamble). The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

(a) "Bonds" shall mean the electric system revenue bonds authorized to be issued by this Resolution.

Municipality, taking into account the financing objectives of the System. The Bonds may be issued and sold in one or more series, each within the parameters set forth above, subject to adjustments as described in Section 9 hereof.

Subject to adjustment as described in Section 9, the Bonds maturing on or before June 1, 2024 shall not be subject to optional redemption. The Bonds maturing on or after June 1, 2025 shall be subject to redemption at the option of the Municipality, upon direction of the Utilities Board, at any time on or after June 1, 2024, in whole or part, at price of par plus interest accrued to the redemption date. If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its discretion. If less than all of the Bonds within a single maturity shall be called for redemption, the Bonds within the maturity to be redeemed shall be selected as follows:

(a) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(b) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Pursuant to Section 9 hereof, the Mayor is authorized to sell the Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as determined by the Mayor. In the event any or all the Bonds are sold as term bonds, the Municipality shall redeem such term bonds on redemption dates corresponding to the maturity dates set forth herein, in aggregate principal amounts equal to the maturity amounts set forth herein for each redemption date, as such maturity amounts may be adjusted pursuant to Section 9 hereof, at a price of par plus accrued interest thereon to the date of redemption. The term bonds to be so redeemed shall be selected by lot or in such other random manner as the Registration Agent in its discretion may designate.

At its option, to be exercised on or before the 45th day next preceding any such mandatory redemption date, the Municipality may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this mandatory sinking fund redemption provision) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2016 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the Municipality on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Municipality shall on or before the 45th day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

Notice of call for redemption shall be given by the Registration Agent on behalf of the Municipality not less than 20 nor more than 60 days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the bond registration records of the Registration Agent as of the date

registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Municipality shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Municipality shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than 15 nor less than ten days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the Municipality of such Special Record Date and, in the name and at the expense of the Municipality, not less than ten days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in the Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of the Municipality to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Bonds when due.

The Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Bond(s) to be transferred with the form of assignment on the last page thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Bond(s) in such form and with such documentation, if any, required by the Registration Agent, the Registration Agent shall issue a new Bond or Bonds to the assignee(s) in $5,000 denominations or integral multiples thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after notice calling such Bond for redemption has been made, nor to transfer or exchange any Bond during the period following the receipt of instructions from the Municipality to call such Bond for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bonds shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Bonds of the same maturity in any authorized denomination or denominations.

The Bonds shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf, of the Municipality with the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk.

Notwithstanding anything contained herein to the contrary, the Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. References in this Section to a Bond or the Bonds shall be construed to mean the Bond or the Bonds that

The Registration Agent is hereby authorized to take such action as may be necessary from time to time to qualify and maintain the Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Bonds and provision of notices with respect to Bonds registered by DTC (or any of its designees identified to the Registration Agent) by overnight delivery, courier service, telegram, telecopy or other similar means of communication. No such arrangements with DTC may adversely affect the interest of any of the owners of the Bonds, provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this section.

The Registration Agent is hereby authorized to authenticate and deliver the Bonds to the Underwriter or as it may designate upon receipt by the Municipality of the proceeds of the sale thereof, to authenticate and deliver Bonds in exchange for Bonds of the same principal amount delivered for transfer upon receipt of the Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an authorized representative thereof on the certificate set forth herein on the bond form.

In case any Bond shall become mutilated, or be lost, stolen, or destroyed, the Municipality, in its discretion, shall issue, and the Registration Agent, upon written direction from the Municipality, shall authenticate and deliver, a new Series 2007 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Bond, or in lieu of and in substitution for such lost, stolen or destroyed Bond, or if any such Bond shall have matured or shall be about to mature, instead of issuing a substituted Bond the Municipality may pay or authorize payment of such Bond without surrender thereof. In every case the applicant shall furnish evidence satisfactory to the Municipality and the Registration Agent of the destruction, theft or loss of such Bond, and indemnity satisfactory to the Municipality and the Registration Agent; and the Municipality may charge the applicant for the issue of such new Bond an amount sufficient to reimburse the Municipality for the expense incurred by it in the issue thereof.

Section 4. Source of Payment. The principal of and interest on the Bonds shall be payable solely from and be secured by a pledge of the Net Revenues to be derived from the operation of the System as provided in the Master Resolution, on a parity and equality of lien with any Unrefunded 2007 Bonds, the Series 2009 Bonds and any bonds hereafter issued on a parity therewith. The punctual payment of principal of and premium, if any, and interest on the Bonds, any Unrefunded 2007 Bonds, the Series 2009 Bonds and any bonds hereafter issued on a parity therewith shall be secured equally and ratably by said Net Revenues without priority by reason of series, number or time of sale or delivery. The owners of the Bonds shall have no recourse to the power of taxation of the Municipality or any other funds or monies thereof, other than the Net Revenues of the System.

Section 5. Form of Bonds. The Bonds shall be in substantially the following form, the omissions to be appropriately completed when the Bonds are prepared and delivered:

custody. A book-entry system shall be employed, evidencing ownership of the Bonds in $5,000 denominations, or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants, as defined in the Resolution (as hereafter defined), pursuant to rules and procedures established by DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the Municipality and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Resolution, including receipt of all principal and maturity amounts of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or taking or not taking, or consenting to, certain actions hereunder. Payments of principal, maturity amounts, interest, and redemption premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners, as defined in the Resolution. Neither the Municipality nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants. In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) the Municipality determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Bonds, the Municipality may discontinue the book-entry system with DTC. If the Municipality fails to identify another qualified securities depository to replace DTC, the Municipality shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the Municipality nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or maturity amounts of and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Beneficial Owners, (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

The Bonds of the issue of which this Bond is one shall be subject to redemption prior to maturity at the option of the Municipality on or after June 1, 2024, as a whole or in part at any time at the redemption price of par plus interest accrued to the redemption date. If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Municipality, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(a) if the Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(b) if the Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Subject to the credit hereinafter provided, the Municipality shall redeem Bonds maturing _____ on the redemption dates set forth below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Bond is one, or such

Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Bond Resolution, as hereafter defined.

If this Bond is no longer registered in the name of Cede & Co. as nominee for DTC, this Bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution, as hereafter defined, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Municipality to call such Bond for redemption.

This Bond is one of a total authorized issue aggregating $_____ and issued by the Municipality for the purpose of providing funds to (i) refinance the Municipality's outstanding Electric System Revenue Bonds, Series 2007 maturing _____, under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 7-34-101 et seq. and 9-21-101 et seq., Tennessee Code Annotated, and pursuant to a resolution duly adopted by the Board of Mayor and Aldermen of the Municipality (the "Board of Mayor and Aldermen") on April 12, 2016 (the "Resolution").

This Bond, and interest hereon, are payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the System, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring the System on a complete parity and equality of lien with the Municipality's remaining outstanding Electric System Revenue Bonds, Series 2007 (the "Unrefunded 2007 Bonds") and its outstanding Electric System Revenue Refunding Bonds, Series 2009 (the "Series 2009 Bonds"). As provided in the Resolution, the punctual payment of principal of and interest on the series of Bonds of which this Bond is one, the Unrefunded 2007 Bonds, the Series 2009 Bonds, and any other bonds issued on a parity therewith pursuant to the terms of the Resolution, shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. The owner of this Bond shall have no recourse to the power of taxation of the Municipality. The Municipality has covenanted and does hereby covenant that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond and the issue of which it is a part, as each payment becomes due. For a more complete statement of the general covenants and provisions pursuant to which this Bond is issued, reference is hereby made to the Resolution.

This Bond and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on interest on the Bond during the period the Bond is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto whose address is _____ _____, the within bond of the City of Fayetteville, Tennessee, and does hereby irrevocably constitute and appoint _____, _____, _____, attorney, to transfer the said bond on the records kept for registration thereof with full power of substitution in the premises.

Dated: _____

_____

Notice: The signature to this assignment must correspond with the name of the registered owner as it appears on the face of the within bond in every particular, without enlargement or alteration, or any change whatsoever.

Signature guaranteed:

_____

NOTICE: Signature(s) must be guaranteed by a member firm of a Medallion Program acceptable to the Registration Agent.

Section 6. Equality of Lien; Pledge of Net Revenues. The punctual payment of principal of, premium, if any, and interest on the Bonds, the Series 2009 Bonds and any Parity Bonds hereafter issued shall be secured equally and ratably by the Net Revenues without priority by reason of number or time of sale or execution or delivery and, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, the Net Revenues are hereby irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due.

Section 7. Applicability of the Resolution.

(a) This resolution is supplementary to and amends the Master Resolution to provide for the issuance of the Bonds on parity with the Unrefunded 2007 Bonds and the Series 2009 Bonds. The provisions of Section 2 (Definitions), Section 7 (Application of Revenues), Section 8 (Prohibition of Prior Lien; Parity Bonds), Section 9 (Charges for Services Supplied by the System), Section 10 (Covenants Regarding the Operation of the System), Section 11 (Remedies of Bond Owners), Section 13 (Modification of Resolution), and Section 21 (Resolution a Contract) of the Master Resolution are hereby ratified and confirmed and incorporated herein by reference and, for so long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of the Bonds as provided herein, the provisions shall be applicable to the Bonds and shall inure to the benefit of owners of the Bonds as if set out in full herein.

Section 8. Application of Revenues. From and after the delivery of the Bonds hereunder, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds as provided in the Master Resolution, the entire income and revenues of the System shall be deposited in the appropriate fund created by the Master

advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance and reserve fund surety bond premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

Section 11. Discharge and Satisfaction of Bonds. If the Municipality shall pay and discharge the indebtedness evidenced by all or any portion of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

(c) By delivering such Bonds to the Registration Agent, for cancellation by it; and if the Municipality shall also pay or cause to be paid all other sums payable hereunder by the Municipality with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the Municipality to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the Municipality shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Municipality, as received by the Registration Agent.

Section 12. Official Statement. The Mayor of the Municipality is hereby authorized and directed to provide for the preparation and distribution of Preliminary Official Statement describing each series of the Bonds and the Municipality. The Mayor of the Municipality shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule

in the form thereof presented to this meeting, or with such changes as may be approved by the Mayor and the City Clerk, their execution thereof to constitute conclusive evidence of their approval of all such changes, including modifications to the Refunding Escrow Agreement. The Escrow Agent is hereby authorized and directed to hold and administer all funds deposited in trust for the payment when due of principal of, premium, if any, and interest on the Refunded Bonds and to exercise such duties as set forth in the Refunding Escrow Agreement.

(b) The Mayor and the City Clerk, or either of them, are hereby authorized and directed to take all steps necessary to cause the Refunded Bonds to be refunded and redeemed.

Section 16. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 17. Qualified Tax-Exempt Obligations. The Governing Body hereby designates each series of the Bonds as "qualified tax-exempt obligations," as defined in Section 265(b) of the Code, to the extent they may be so designated.

Section 18. Repeal of Conflicting Resolutions and Effective Date. All resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflict, hereby repealed and this resolution shall be in immediate effect from and after its adoption.

Adopted and approved this 12th day of April, 2016.

/s/ Jon Law
Mayor

ATTEST:

/s/ G. Scott Collins
acting City Clerk

CERTIFICATE

I, G. Scott Collins, hereby certify that I am the duly qualified and acting City Clerk of the City of Fayetteville, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a regular meeting of the governing body of the Municipality held on April 12, 2016; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original record relates to not to exceed $10,000,000 electric system revenue refunding bonds of said Municipality.

WITNESS my official signature and seal of said Municipality this 12th day of April, 2016.

/s/

G. Scott Collins, City Clerk

(SEAL)

EXHIBIT A

Refunding Report of Director of State and Local Finance

FINANCIAL INFORMATION FOR THE YEAR ENDING JUNE 30, 2015

For the fiscal year ending June 30, 2015, FPU's electric system reported operating income of $3,575,185 and posted a positive change in net position of $2,387,616. The system also posted a positive change in net position for fiscal year 2014 in the amount of $3,010,980. Debt service payments for fiscal year 2015 were $1,737,668, consisting of principal payments of $1,025,000 and interest payments of $712,668.

CITY'S PROPOSED REFUNDING OBJECTIVE

The City indicated its purpose for the refunding is for net present value savings.

COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the Refunding Bonds, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

REPORT OF THE REVIEW OF A PLAN OF REFUNDING

This letter, report, and the Plan are to be posted on the City's website, if there is one. The same report is to be provided to each member of the City Commission and reviewed at the public meeting following receipt of this letter.

The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.

This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.

We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that

REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE CONCERNING THE PROPOSED ISSUANCE BY THE CITY OF FAYETTEVILLE, TENNESSEE OF ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES 2016

The City of Fayetteville (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-1003 regarding an issuance of approximately $10,000,000 Electric System Revenue Refunding Bonds, Series 2016, (the "Refunding Bonds"). The Refunding Bonds will advance refund approximately $9,950,000 Electric System Revenue Bonds, Series 2007 (the "Refunded Bonds").

The Plan was prepared with the assistance of the City's municipal advisor, Cumberland Securities Company, Inc. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

BALLOON INDEBTEDNESS

The City determined the structure of the Refunding Bonds presented in the refunding plan is balloon indebtedness. The City submitted a separate request for approval of a plan of balloon indebtedness in conjunction with its request for the review of a refunding plan. Approval of the Director of the Office of State and Local Finance is required prior to the City adopting the resolution authorizing the issuance of balloon indebtedness.

The City's plan of balloon indebtedness was approved in a separate letter dated March 11, 2016.

FINANCIAL INFORMATION FOR THE YEAR ENDING JUNE 30, 2015

For the fiscal year ending June 30, 2015, the City's electric system reported operating income of $3,575,185 and posted a positive change in net position of $2,387,616. The system also posted a positive change in net position for fiscal year 2014 in the amount of $3,010,980. Debt service payments for fiscal year 2015 were $1,737,668, consisting of principal payments of $1,025,000 and interest payments of $712,668.

CITY'S PROPOSED REFUNDING OBJECTIVE

The City indicated its purpose for the refunding is for net present value savings.

REFUNDING ANALYSIS

- The results of the refunding are based on the assumption that $10,000,000 Refunding Bonds will be sold by negotiated sale and priced at par.
- The City is making a contribution of $470,000 from its debt service funds to the transaction.
- The estimated net present value savings of the refunding is $1,100,449 or 11.06% of the refunded principal amount of $9,950,000.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is $176,911 or $17.69 per $1,000 of the par amount. See Table 1 for individual costs of issuance.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
OFFICE OF STATE AND LOCAL FINANCE
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING
505 DEADERICK STREET
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7872
FAX (615) 741-5986

March 15, 2016

Honorable Board of Mayor and Aldermen
City of Fayetteville
110 Elk Avenue South
Fayetteville, TN 37334

Dear Mr. Law and Aldermen:

This Office received a request on March 9, 2016, from the City of Fayetteville (the "City") for a report on the plan of finance (the "Plan") for the proposed issuance of a maximum $10,000,000 Electric System Revenue Refunding Bonds, Series 2016 (the "Refunding Bonds"). The City expects to use the proceeds of the Refunding Bonds to advance refund approximately $9,950,000 Electric System Revenue Bonds, Series 2007 (the "Refunded Bonds").

Balloon Indebtedness

The City indicated the purpose of the refunding is for cost savings. The refunding will also shorten the weighted average maturity of the City's outstanding debt. The stated purposes for the refunding are in the public's interest.

Approval

The comptroller of the treasury or the comptroller's designee shall evaluate each plan of balloon indebtedness based on the plan's particular circumstances and shall approve the plan only if a determination is made that the repayment structure is in the public's interest. Based on the review of the Plan in accordance with statute, the Plan is approved.

Sincerely,

Sandra Thompson
Director of State & Local Finance

Cc: Mr. Jim Arnette, Director, Local Government Audit, COT
Dr. Janine Wilson, Chairman, Fayetteville Board of Public Utilities
Mr. Chris Bessler, Cumberland Securities Company, Inc.
Mr. Jeff Oldham, Bass Berry & Sims

REFUNDING ESCROW AGREEMENT

This Refunding Escrow Agreement is made and entered into as of the _____ by and between the CITY OF FAYETTEVILLE, TENNESSEE (the "Municipality"), and REGIONS BANK, Nashville, Tennessee (the "Agent").

W I T N E S S E T H:

WHEREAS, the Municipality has previously authorized and issued its outstanding Electric System Revenue Bonds, Series 2007 maturing _____ (the "Outstanding Bonds"); and

WHEREAS, the Municipality has determined to provide for payment of the debt service requirements of the Outstanding Bonds by depositing in escrow with the Agent funds that, with the investment income therefrom, will be sufficient to pay the principal of, premium, if any, and interest on the Outstanding Bonds as set forth on Exhibit A hereto; and

WHEREAS, in order to obtain a portion of the funds needed to refund the Outstanding Bonds, the Municipality has authorized and issued its Electric System Revenue Refunding Bonds, Series 2016 (the "Refunding Bonds"); and

WHEREAS, a portion of the proceeds derived from the sale of the Refunding Bonds will be deposited in escrow with the Agent hereunder and applied to the purchase of certain securities described herein, the principal amount thereof together with interest thereon to mature at such times and in such amounts as shall be sufficient to pay when due all of the principal of, premium, if any, and interest on the Outstanding Bonds as set forth on Exhibit A; and

WHEREAS, in order to create the escrow hereinabove described, provide for the deposit of said Refunding Bond proceeds and other funds of the Municipality, if applicable, and the application thereof, and to provide for the payment of the Outstanding Bonds, the parties hereto do hereby enter into this Agreement.

NOW, THEREFORE, the Municipality, in consideration of the foregoing and the mutual covenants herein set forth and in order to secure the payment of the Outstanding Bonds according to their tenor and effect, does by these presents hereby grant, warrant, demise, release, convey, assign, transfer, alien, pledge, set over and confirm, to the Agent, and to its successors hereunder, and to it and its assigns forever, in escrow, all and singular the property hereinafter described to wit:

DIVISION I

All right, title and interest of the Municipality in and to $_____, $_____ of which is derived from the proceeds of the sale of the Refunding Bonds, and $_____ derived from other deposited by the Municipality.

DIVISION II

All right, title and interest of the Municipality in and to the Government Securities purchased with the funds described in Division I hereof and more particularly described in Exhibit B attached hereto, and to all income, earnings and increment derived from or accruing to the Government Securities.

"Government Securities" shall mean obligations and securities described in Section 9-21-914, Tennessee Code Annotated;

"Municipality" shall mean the City of Fayetteville, Tennessee;

"Outstanding Bonds" shall have the meaning ascribed in the preamble;

"Refunding Bonds" shall have the meaning ascribed in the preamble;

"Written Request" shall mean a request in writing signed by the Mayor of the Municipality or by any other officer or official of the Municipality duly authorized by the Municipality to act in his place.

SECTION 1.02 Construction. 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 AND ADMINISTRATION OF FUNDS

SECTION 2.01 Creation of Escrow; Deposit of Funds. The Municipality hereby creates and establishes with the Agent a special and irrevocable escrow composed of the Escrowed Property and hereby deposits with the Agent and the Agent hereby acknowledges receipt of $_____ as described in Division I hereof. The monies so deposited, together with investment income therefrom, is herein referred to as the "Escrow Fund" and shall constitute a fund to be held by the Agent as a part of the Escrowed Property created, established, and governed by this Agreement.

SECTION 2.02 Investment of Funds. The monies described in Section 2.01 hereof shall be held or invested as follows:

(a) the amount of $_____ shall be used to purchase the Government Securities described on Exhibits B attached hereto; and

(b) the amount of $_____ shall be held as cash in a non-interest-bearing account.

Except as provided in Sections 2.04 and 2.06 hereof, the investment income from the Government Securities in the Escrow Fund shall be credited to the Escrow Fund and shall not be reinvested. The Agent shall have no power or duty to invest any monies held hereunder or to make substitutions of Government Securities held hereunder or to sell, transfer, or otherwise dispose of the Government Securities acquired hereunder except as provided herein.

SECTION 2.03 Disposition of Escrow Funds. The Agent shall without further authorization or direction from the Municipality collect the principal and interest on the Government Securities promptly as the same shall fall due. From the Escrow Fund, to the extent that monies therein are sufficient for such purpose, the Agent shall make timely payments to the proper paying agent or agents, or their successors, for the Outstanding Bonds of monies sufficient for the payment of the principal of and interest on the Outstanding Bonds as the same shall become due and payable. Amounts and dates of principal and interest payments and the name and address of the paying agent with respect to the Outstanding Bonds are set forth on Exhibit A. Payment on the dates and to the paying agent in accordance with Exhibit A shall constitute full performance by the Agent of its duties hereunder with respect to each respective payment.

ARTICLE III
CONCERNING THE AGENT

SECTION 3.01 Appointment of Agent. The Municipality hereby appoints the Agent as escrow agent under this Agreement.

SECTION 3.02 Acceptance by Agent. By execution of this Agreement, the Agent accepts the duties and obligations as Agent hereunder. The Agent further represents that it has all requisite power, and has taken all corporate actions necessary to execute the escrow hereby created.

SECTION 3.03 Liability of Agent. The Agent shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by the Municipality or any paying agent of its obligations, or to protect any of the Municipality's rights under any bond proceedings or any of the Municipality's other contracts with or franchises or privileges from any state, county, Municipality or other governmental agency or with any person. The Agent shall not be liable for any act done or step taken or omitted to be taken by it, or for any mistake of fact or law, or anything which it may do or refrain from doing, except for its own gross negligence or willful misconduct in the performance or nonperformance of any obligation imposed upon it hereunder. The Agent shall not be responsible in any manner whatsoever for the recitals or statements contained herein or in the Outstanding Bonds or in the Refunding Bonds or in any proceedings taken in connection therewith, but they are made solely by the Municipality. The Agent shall have no lien whatsoever upon any of the monies or investments in the Escrow Fund for the payment of fees and expenses for services rendered by the Agent under this Agreement.

The Agent shall not be liable for the accuracy of the calculations as to the sufficiency of Escrow Fund monies and Government Securities and the earnings thereon to pay the Outstanding Bonds. So long as the Agent applies any monies, the Government Securities and the interest earnings therefrom to pay the Outstanding Bonds as provided herein, and complies fully with the terms of this Agreement, the Agent shall not be liable for any deficiencies in the amounts necessary to pay the Outstanding Bonds caused by such calculations. The Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this Agreement and in full compliance with the provisions hereof.

In the event of the Agent's failure to account for any of the Government Securities or monies received by it, said Government Securities or monies shall be and remain the property of the Municipality in escrow for the benefit of the holders of the Outstanding Bonds, as herein provided, and if for any improper reason such Government Securities or monies are applied to purposes not provided for herein or misappropriated by the Agent, the assets of the Agent shall be impressed with a trust for the amount thereof until the required application of such funds shall be made or such funds shall be restored to the Escrow Fund.

SECTION 3.04 Permitted Acts. The Agent and its affiliates may become the owner of or may deal in the Refunding Bonds or Outstanding Bonds as fully and with the same rights as if it were not the Agent.

SECTION 3.05 Exculpation of Funds of Agent. Except as set forth in Section 3.03, none of the provisions contained in this Agreement shall require the Agent to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Agent shall be under no liability for interest on any funds or other property received by it hereunder, except as herein expressly provided.

The holders of a majority in aggregate principal amount of all the Outstanding Bonds at any time outstanding may at any time remove the Agent and appoint a successor by an instrument or concurrent instruments in writing signed by such bondholders and presented, together with the successor's acceptance of appointment, to the Municipality and the Agent.

Any resignation or removal of the Agent and appointment of a successor pursuant to any of the provisions of this Agreement shall become effective upon acceptance of appointment by the successor as provided in Section 3.11 hereof.

SECTION 3.11 Acceptance by Successor. Any successor escrow agent appointed as provided in this Agreement shall execute, acknowledge and deliver to the Municipality and to its predecessor an instrument accepting such appointment hereunder and agreeing to be bound by the terms hereof, and thereupon the resignation or removal of the predecessor shall become effective and such successor, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Agent herein; but, nevertheless, on Written Request of the Municipality or the request of the successor, the predecessor shall execute and deliver an instrument transferring to such successor all rights, powers and escrow property of the predecessor. Upon request of any such successor, the Municipality shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor all such rights, powers and duties. No successor shall accept appointment as provided herein unless at the time of such acceptance such successor shall be eligible under the provisions of Section 3.08 hereof.

Any corporation into which the Agent or its corporate trust business may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Agent or its corporate trust business shall be a party, or any corporation succeeding to the corporate trust business of the Agent, shall be the successor of the Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor shall be eligible under the provisions of Section 3.08 hereof.

SECTION 3.12 Payment to Agent. The Municipality agrees to pay the Agent, as reasonable and proper compensation under this Agreement, a one-time sum of $_____ payable in advance. The Agent shall be entitled to reimbursement of all advances, counsel fees and expenses, and other costs made or incurred by the Agent in connection with its services and/or its capacity as Agent or resulting therefrom. In addition, the Municipality agrees to pay to the Agent all out-of-pocket expenses and costs of the Agent incurred by the Agent in the performance of its duties hereunder, including all publication, mailing and other expenses associated with the redemption of the Outstanding Bonds, however, the Municipality shall not be responsible for any cost associated with the merger or consolidation of the Agent; provided, however, that the Municipality agrees to indemnify the Agent and hold it harmless against any liability which it may incur while acting in good faith in its capacity as Agent under this Agreement, including, but not limited to, any court costs and attorneys' fees, and such indemnification shall be paid from available funds of the Municipality and shall not give rise to any claim against the Escrow Fund.

ARTICLE IV
MISCELLANEOUS

SECTION 4.01 Amendments to this Agreement. This Agreement is made for the benefit of the Municipality, the holders from time to time for the Outstanding Bonds, and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Agent and the Municipality; provided, however, that the Municipality and the Agent may, without the consent of, or

SECTION 4.04 Notices. Any notice, request, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by Registered or Certified Mail, postage prepaid, or sent by telegram as follows:

To the Municipality:

City of Fayetteville, Tennessee
P.O. Box 13
Fayetteville, Tennessee 37334-0013
Attn: Mayor

To the Agent:

Regions Bank
_____
_____

The Municipality and the Agent may designate in writing any further or different addresses to which subsequent notices, requests, communications or other papers shall be sent.

SECTION 4.05 Agreement Binding; Assignment. All the covenants, promises and agreements in this Agreement contained by or on behalf of the parties shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not. Neither party hereto may assign its rights or obligations under this Agreement to another person or entity without the prior written consent of the other party hereto.

SECTION 4.06 Termination. This Agreement shall terminate when all transfers and payments required to be made by the Agent under the provisions hereof shall have been made.

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*)