

*****APRIL 17, 2002*****

The Town Council of the Town of Signal Mountain held a special called meeting on Wednesday, April 17, 2002, at 7:00 p.m. in the Town Hall. Those present were:

Mayor James H. Althaus
Vice-Mayor Robert E. Steel, Jr.
Councilmember Rachel Bryant
Councilmember William C. Steele, Jr.

Also present were:

Town Manager Hershel Dick
Town Recorder Diana Campbell
Town Attorney Phil Noblett
See list at bottom for additional people

The Mayor called the meeting to order and the Recorder called the roll. The Mayor introduced Lori Everett, Court Reporter, who would be acting as Court Reporter for item 2 on the agenda.

The first item before the Council was a "RESOLUTION OF THE TOWN OF SIGNAL MOUNTAIN, TENNESSEE, AUTHORIZING THE ISSUANCE OF INTEREST BEARING GENERAL OBLIGATION CAPITAL OUTLAY REFUNDING NOTES, SERIES 2002, IN AN AMOUNT NOT TO EXCEED \$3,714,000, AND PROVIDING FOR THE PAYMENT OF SAID NOTES." Recorder Campbell explained that the town had contacted the Tennessee Municipal League Bond Fund to find out if the Town could refinance any of its loans to receive a lower interest rate and save money for the Town. She explained three of the Town's capital outlay notes could be refinanced at an interest rate of 4.25 percent and save the Town \$127,000 over the life of the loans. She noted that this resolution would let the Town proceed with the refinancing. Town Attorney Noblett stated that the resolution document stated the interest rate would not exceed 5 percent. He further explained that the Recorder received a letter from the TML Bond Fund stating the interest rate would be the 4.25 percent. It was noted during the discussion that there was no new money being borrowed and the term or length of the loan would not be extended. Councilmember Steel made a motion to approve the resolution. Vice-Mayor Steel seconded the motion and it passed unanimously.

The second item before the Council was a discussion of the Tabb LLC lawsuit. The Mayor explained that the purpose of this discussion was to give Attorney Phil Noblett the direction in which the Council wanted to proceed. There was a lengthy discussion of the subject with the Court Reporter taking notes. Councilmember Steel made a motion to take said matter back to the Chancellor and say the Council had tried to arbitrate but can't

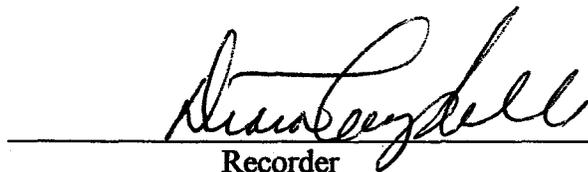
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reach a decision. The Mayor seconded the motions. There was further discussion. A vote was taken and there were three votes to approve the motion, Mayor Althaus, Councilmember Bryant and Councilmember Steele. Vice-Mayor Steel voted against the motion.

The meeting was adjourned.



James H. Althaus, Mayor



Recorder

List of additional people in attendance attached.

John Houstrup – 509 Brady Point Road

Doris Ankar – 825 Cherokee Lane

Jay Prater – 107 E. Palisades Drive

RESOLUTION NO. R2002-13

RESOLUTION OF THE TOWN OF SIGNAL MOUNTAIN, TENNESSEE, AUTHORIZING THE ISSUANCE OF INTEREST BEARING GENERAL OBLIGATION CAPITAL OUTLAY REFUNDING NOTES, SERIES 2002, IN AN AMOUNT NOT TO EXCEED \$3,714,000, AND PROVIDING FOR THE PAYMENT OF SAID NOTES

WHEREAS, the Town of Signal Mountain, Tennessee (the "Municipality"), has pursuant to resolutions previously adopted by the Town Council (the "Council") of the Municipality, heretofore issued (i) that certain \$475,000 Water Department Capital Outlay Note, Series 1997, dated June 24, 1997, currently outstanding in the principal amount of \$345,000; (ii) those certain \$1,100,000 General Obligation Capital Outlay Notes, Series 1998, dated October 8, 1998, currently outstanding in the principal amount of \$880,000; (iii) that certain \$1,900,000 Sewer System Revenue and Tax Capital Outlay Note, Series 1999, dated August 5, 1999, currently outstanding in the principal amount of \$1,654,000; (iv) that certain \$600,000 Sewer System Revenue and Tax Capital Outlay Note, Series 1999A, dated August 5, 1999, currently outstanding in the principal amount of \$522,000; (v) that certain \$225,000 General Obligation Capital Outlay Note, Series 1999, dated August 5, 1999, currently outstanding in the principal amount of \$196,000; and, (vi) that certain \$175,000 General Obligation Capital Outlay Note, Series 1999A, dated August 5, 1999, currently outstanding in the principal amount of \$152,000 (such notes being herein called, collectively, the "Prior Notes"), the proceeds of the Prior Notes having been used to finance various public works projects;

WHEREAS, the Prior Notes are subject to redemption prior to their respective maturities;

WHEREAS, the Municipality desires to redeem the outstanding principal amount of the Prior Notes prior to their respective maturities;

WHEREAS, Title 21, Chapter 9, Tennessee Code Annotated, as amended (the "Act"), authorizes the extension, renewal, or refunding of capital outlay notes issued under such statutes upon the approval of the Director of Local Finance for the State of Tennessee;

WHEREAS, the plan of refunding for the Prior Notes and a computation of projected cost savings have been submitted to the State Director of Local Finance for review as required by the Act, and a report on the plan of refunding has been issued by such Director of Local Finance; and,

WHEREAS, the Council of the Municipality finds it is advantageous to the Municipality to authorize the issuance and sale of not to exceed \$3,714,000 General Obligation Capital Outlay Refunding Notes, Series 2002 (the "Notes"), for the purpose of redeeming the Prior Notes.

NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF SIGNAL MOUNTAIN, TENNESSEE, AS FOLLOWS:

Section 1. Authority. The Notes herein authorized shall be issued pursuant to Title 9, Chapter 21, Tennessee Code Annotated, as amended, and other applicable provisions of law.

Section 2. Authorization. For the purpose of providing funds to redeem the outstanding principal of the Prior Notes, there shall be issued pursuant to, and in accordance with, the provisions of Title 9, Chapter 21, Tennessee Code Annotated, as amended, and other applicable provisions of law, the interest bearing capital outlay refunding notes of the Municipality, in the aggregate principal amount of not to exceed \$3,714,000, or such lesser amount as may be determined by the Mayor of the

Municipality (the "Mayor") at the time of sale (collectively, the "Notes," individually, the "Note"). The term of the Notes shall not exceed the reasonably expected economic life of the projects financed with the proceeds of the Prior Notes, which is hereby certified to be at least the term of the Notes.

Section 3. Terms of the Notes. The Notes shall be designated "General Obligation Capital Outlay Refunding Notes, Series 2002". The Notes shall be issued in registered form, without coupons, in minimum denominations of \$5,000. The Notes shall be numbered from 1 upwards, shall be dated the date of issuance and delivery, shall be sold at not less than the par amount thereof, shall bear interest at a rate or rates not to exceed 5% per annum, such interest being payable at such times as agreed upon with the purchaser of such Notes, but in no event less than semi-annually each year commencing six months from the dated date or such date as shall be designated by the Mayor (the "Interest Payment Date"), and shall mature not later than ten years from the date of issuance. Each year the Notes are outstanding, the Municipality shall retire principal on the Notes in an amount that is estimated to be at least equal to an amortization which reflects level debt service on the Notes. The Notes shall contain such terms, conditions, and provisions other than as expressly provided or limited herein as may be agreed upon by the Mayor of the Municipality and the purchaser of the Notes.

Interest on the Notes shall be payable (i) by check or other form of draft of the "Note Registrar," as such term is hereinafter defined, deposited by the Note Registrar in the United States mail, first class postage prepaid, in sealed envelopes, addressed to the owners of such Notes, as of the applicable Interest Payment Date, at their respective addresses as shown on the registration books of the Municipality maintained by the Note Registrar as of the close of business fifteen (15) calendar days preceding the next Interest Payment Date, or (ii) by wire transfer to an account specified in writing by the purchaser of the Notes. The principal of all Notes shall be payable upon presentation and surrender of such Notes at the principal office of the Note Registrar. All payments of the principal of and interest on the Notes shall be made in any coin or currency of the United States of America which, on the date of payment thereof, shall be legal tender for the payment of public and private debts.

Section 4. Redemption. The Notes shall be subject to redemption, in whole, at the option of the Municipality, at any time, at a price of par plus accrued interest to the date of redemption, upon not less than fifteen (15) calendar days written notice to the registered owner.

Section 5. Execution. The Notes shall be executed in the name of the Municipality; shall bear the manual signature of the Mayor; shall be countersigned by the Recorder of the Municipality (the "Recorder") with his or her manual signature; and, shall have printed or impressed thereon the official seal of the Municipality. In the event any officer whose signature appears on the Notes shall cease to be such officer, such signature shall nevertheless be valid and sufficient for all purposes. The Notes shall be issued in typed, mimeographed, printed, or photocopied form, or any combination thereof, substantially in the form attached hereto as Exhibit "A", with such minor changes therein or such variations thereof as the Mayor may deem necessary or desirable, the blanks to be appropriately completed by the Mayor prior to the issuance of the Notes.

Section 6. Registration, Negotiability, and Payment. (a) The Recorder of the Municipality is hereby appointed the note registrar and paying agent (the "Note Registrar"), and as such shall establish and maintain suitable books (the "Registration Books") for recording the registration, conversion, and payment of the Notes, and shall also perform such other duties as may be required in connection with any of the foregoing. The Note Registrar is hereby authorized to authenticate and deliver the Notes to the original purchaser thereof, or as he or she may designate, upon receipt by the Municipality of the proceeds of the sale thereof and to authenticate and deliver Notes in exchange for

Notes of the same principal amount delivered for transfer upon receipt of the Notes to be transferred in proper form with proper documentation as herein described. The Notes shall not be valid for any purpose unless authenticated by the Note Registrar by the manual signature of the Note Registrar on the certificate set forth in Exhibit "A" hereto. The Notes shall be fully registered as to both principal and interest and shall be fully negotiable upon proper endorsement by the registered owner thereof. No transfer of any Notes shall be valid unless such transfer is noted upon the Registration Books and until such Note is surrendered, cancelled, and exchanged for a new Note which shall be issued to the transferee, subject to all the conditions contained herein. Principal of the Notes shall be paid at maturity upon presentation or surrender of the Notes at the principal office of the Note Registrar, and payment in such manner shall forever discharge and release the obligation of the Municipality to the extent of the principal and interest so paid.

(b) The Municipality may from time to time at its discretion remove the Note Registrar and appoint a successor Note Registrar to whom all records, documents, and instruments relating to its duties as Note Registrar shall be delivered. Any successor Note Registrar shall be appointed by resolution of the Municipality, and shall be a trust company or bank having the powers of a trust company, having, at the time of such appointment, a combined capital, surplus, and undivided profits aggregating at least Ten Million Dollars (\$10,000,000), and be willing and able to accept the office of Note Registrar on reasonable and customary terms, and authorized by law to perform all duties imposed upon it by this Resolution.

(c) In the event that any amount payable on any Note as interest shall at any time exceed the rate of interest lawfully chargeable thereon under applicable law, then any such excess shall, to the extent of such excess, be applied against the principal of such Note as a prepayment thereof without penalty, and such excess shall not be considered to be interest. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each.

Section 7. Exchange of Notes. Notes upon surrender thereof at the office of the Note Registrar, together with an assignment of such Notes duly executed by the registered owner thereof, or his, her, or its attorney or legal representative, may be exchanged for an equal aggregate principal amount of Notes of the same maturity, of any denomination or denominations authorized by this Resolution, and bearing interest at the same rate as the Notes surrendered for exchange.

Section 8. Transfer of Notes. Each Note shall be transferable only on the registration books maintained by the Note Registrar at the principal office of the Note Registrar, upon the surrender for cancellation thereof at the principal office of the Note Registrar, together with an assignment of such Note duly executed by the owner thereof or his, her or its attorney or legal representative, and upon payment of the charges hereinafter provided, and subject to such other limitations and conditions as may be provided therein or herein. Upon the cancellation of any such Note, the Note Registrar shall, in exchange for the surrendered Note or Notes, deliver in the name of the transferee or transferees a new Note or Notes of authorized denominations, of the same aggregate principal amount, maturity, and rate of interest as such surrendered Note or Notes, and the transferee or transferees shall take such new Note or Notes subject to all of the conditions herein contained.

Section 9. Regulations with Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging or transferring Notes is exercised, the Municipality shall execute, and the Note Registrar shall deliver, Notes in accordance with the provisions of this Resolution. For every exchange or transfer of Notes, whether temporary or definitive, the Municipality and the Note Registrar may

make a charge, unless otherwise herein to the contrary expressly provided, sufficient to pay for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer, all of which taxes, fees, and other governmental charges shall be paid to the Municipality by the person or entity requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Neither the Municipality nor the Note Registrar shall be obligated to exchange or transfer any Note during the fifteen (15) calendar days next preceding the maturity date of the Notes or any call for redemption.

Section 10. Mutilated, Lost, Stolen, or Destroyed Notes. In the event any Note issued hereunder shall become mutilated, or be lost, stolen, or destroyed, such note shall, at the written request of the registered owner, be cancelled on the Registration Books and a new Note shall be authenticated and delivered, corresponding in all aspects but number to the mutilated, lost, stolen, or destroyed Note. Thereafter, should such mutilated, lost, stolen, or destroyed Note or Notes come into possession of the registered owner, such Notes shall be returned to the Note Registrar for destruction by the Note Registrar. If the principal on said mutilated, lost, stolen, or destroyed Note shall be due within fifteen (15) calendar days of receipt of the written request of the registered owner for authentication and delivery of a new Note, payment therefor shall be made as scheduled in lieu of issuing a new Note. In every case the registered owner shall certify in writing as to the destruction, theft, or loss of such Note, and shall provide indemnification satisfactory to the Municipality and to the Note Registrar, if required by the Municipality and the Note Registrar.

Any notice to the contrary notwithstanding, the Municipality and all of the officials, employees, and agents thereof, including the Note Registrar, may deem and treat the registered owners of the Notes as the absolute owners thereof for all purposes, including, but not limited to, payment of the principal thereof, and the interest thereon, regardless of whether such payment shall then be overdue.

Section 11. Authentication. Only such of the Notes as shall have endorsed thereon a certificate of authentication, substantially in the form set forth in Exhibit "A" hereto duly executed by the Note Registrar shall be entitled to the rights, benefits, and security of this Resolution. No Note shall be valid or obligatory for any purpose unless, and until, such certificate of authentication shall have been duly executed by the Note Registrar. Such executed certificate of authentication by the Note Registrar upon any such Note shall be conclusive evidence that such Note has been duly authenticated and delivered under the Resolution as of the date of authentication.

Section 12. Source of Payment and Security. The Notes, as to both principal and interest, shall be payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. Said Notes shall be a direct general obligation of the Municipality, for which the punctual payment of the principal of and interest on the Notes, the full faith and credit of the Municipality is irrevocably pledged.

Section 13. Levy of Taxes. For the purpose of providing for the payment of the principal of and interest on the Notes, to the extent required, there shall be levied in each year in which such Notes shall be outstanding a direct tax on all taxable property in the Municipality, fully sufficient to pay all such principal and interest falling due prior to the time of collection of the next succeeding tax levy. Said tax shall be assessed, collected, and paid at the time, and in the same manner, as the other taxes of said Municipality, shall be in addition to all other taxes, and shall be without limitation as to

time, rate, or amount, and for that purpose there is hereby levied a direct annual tax in such amount as may be found necessary each year to pay said principal of and interest on the Notes maturing in said year. Principal or interest falling due at any time when there shall be insufficient funds on hand from such tax levy for the payment thereof shall be paid from the general fund or other available funds of the Municipality, but reimbursement therefor may be made from the taxes herein provided when the same shall have been collected. Such taxes levied and collected therefor shall be deposited in a special fund to be designated General Obligation Capital Outlay Refunding Notes, Series 2002 Note Fund (the "Note Fund"), which is hereby authorized to be created, and used solely for the payment of principal of and interest on the Notes as the same shall become due.

Section 14. Approval of Director of Local Finance. Anything herein contained to the contrary notwithstanding, no Notes authorized under this Resolution shall be issued, sold, or delivered, unless and until such Notes shall first have been duly approved by the Director of Local Finance of the State of Tennessee as provided by Section 9-21-601 et. seq., Tennessee Code Annotated, as amended. The Mayor, Recorder, City Manager, City Attorney, and Bond Counsel, are hereby authorized to take or cause to be taken such steps as are necessary to obtain such approval. After the issuance and sale of the Notes, and for each year that any of the Notes are outstanding, the Municipality shall submit its annual budget to the State Director of Local Finance for approval immediately upon the Municipality's adoption of the budget.

Section 15. Sale of Notes. The Notes herein authorized are authorized to be sold by the Mayor at a private negotiated sale at a price of not less than par and accrued interest.

Section 16. Disposition of Note Proceeds. The proceeds from the sale of the Notes shall be paid to the official of the Municipality designated by law as the custodian of the funds thereof. Said proceeds shall be used, together with other available funds of the Municipality, to redeem the outstanding principal of the Prior Notes on the first available date, but in no event later than eighty-nine (89) days from the date of issuance of the Notes.

Section 17. Non-Arbitrage Certification. The Municipality certifies and covenants with the owners of the Notes that so long as the principal of any Note remains unpaid, monies on deposit in any fund or account in connection with the Notes, whether or not such monies were derived from the proceeds of the sale of the Notes or from any other source, will not be used in a manner which will cause the Notes to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated thereunder, as the same presently exist, or may from time to time hereafter be amended, supplemented, or revised. The Municipality reserves the right, however, to make any investment of such monies permitted by Tennessee law and this Resolution if, when and to the extent that said Section 148 or regulations promulgated thereunder shall be repealed or relaxed or shall be held void by final decision of a court of competent jurisdiction, but only if any investment made by virtue of such repeal, relaxation, or decision would not, in the opinion of counsel of recognized competence in such matters, result in making the interest on the Notes subject to inclusion in gross income of the owners thereof for federal income tax purposes.

The Municipality covenants that it shall comply with Section 148(f) of the Code, unless legally exempted therefrom and it represents that in the event it shall be required by Section 148(f) of the Code to pay "Rebatable Arbitrage," as defined in the regulations promulgated under the Code, to the United States Government, it will make such payments as and when required by said Section 148(f) and will take such other actions as shall be necessary or permitted to prevent the interest on the Notes from

becoming subject to inclusion in federal gross income of the owners of the Notes for purposes of federal income taxation.

Section 18. Designation of Notes as Qualified Tax-Exempt Obligations. The Municipality hereby designates the Notes as "qualified tax-exempt obligations" within the meaning and for the purpose of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Section 19. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Municipality and the owners of the Notes, and after the issuance of the Notes, no change, variation, or alteration of any kind in the provisions of this Resolution shall be made in any manner, until such time as all installments of the principal of and interest on the Notes shall have been paid in full or the consent of the registered owners of the Notes has been obtained; provided, however, that the Municipality is hereby authorized to make such amendments to this Resolution as will not impair the rights or security of the owners of the Notes.

Section 20. No Action to be Taken Affecting Validity of the Notes. The Municipality hereby covenants and agrees that it will not take any action, that would in any manner affect the validity of the Notes or limit the rights and remedies of the owners from time to time of such Notes. The Municipality further covenants that it will not take any action that will cause the interest on the Notes to be subject to inclusion in gross income of the owners thereof for purposes of federal income taxation.

Section 21. Miscellaneous Acts. The Mayor, the Recorder, and all other appropriate officials of the Municipality are hereby authorized, empowered, and directed to do any and all such acts and things, and to execute, acknowledge, and deliver all such documents, instruments, and certifications, specifically including but not limited to, making arbitrage certifications, in addition to those acts, things, documents, instruments, and certifications hereinbefore authorized and approved, as may in their discretion, be necessary or desirable to implement or comply with the intent of this Resolution; or any of the documents herein authorized and approved; or for the authorization, issuance, and delivery of the Notes.

Section 22. Failure to Present Notes. Subject to the provisions of Section 3 hereof, in the event any Note shall not be presented for payment when the principal becomes due at maturity and in the event monies sufficient to pay such Note shall be held by the Note Registrar for the benefit of the owner thereof, all liability of the Municipality to such owner for the payment of such Note shall forthwith cease, terminate, and be completely discharged. Thereupon, the Note Registrar shall hold such monies, without liability for interest thereon, for the benefit of the owner of such Note who shall thereafter be restricted exclusively to such monies for any claim under this Resolution or on, or with respect to, said Note, subject to escheat or other similar law, and any applicable statute of limitation.

Section 23. Payments Due on Saturdays, Sundays, and Holidays. Whenever the interest on or principal of any Note is due on a Saturday or Sunday or, at the place designated for payment, a legal holiday or a day that banking institutions in Chattanooga, Tennessee, are authorized by law to close, then the payment of the interest on, or the principal of, such Note need not be made on such date but must be made on the next succeeding day not a Saturday, Sunday, or a legal holiday or a day upon which such banking institutions are authorized by law to close, with the same force and effect as if made on the date designated for payment; and no interest shall accrue for the period after such date.

Section 24. No Recourse Under Resolution or on Notes. All stipulations, promises, agreements, and obligations of the Municipality contained in this Resolution shall be deemed to be the stipulations, promises, agreements, and obligations of the Municipality and not of any officer, member of the Council or employee of the Municipality in his or her individual capacity, and no recourse shall

be had for the payment of the principal of or interest on the Notes or for any claim based thereon or under this Resolution against any officer, member of the Council or employee of the Municipality or against any official or individual executing the Notes.

Section 25. Severability. 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 hereof.

Section 26. 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 effect as of the date of its adoption the welfare of the Municipality requiring it.

Approved and adopted this 17th day of April, 2002.



Mayor

ATTEST:

Neena Campbell
Recorder

STATE OF TENNESSEE)
COUNTY OF HAMILTON)

I, Diana Campbell, hereby certify that I am the duly qualified and acting Recorder of the Town of Signal Mountain, Tennessee (the "Municipality"), and, as such official, I further certify as follows: (1) that attached hereto is a copy of a resolution excerpted from the minutes of the meeting of the Town Council (the "Council") of said Municipality held on April 17, 2002; (2) that I have compared said copy with the original minute record of said meeting in my official custody; (3) that said copy is a true, correct, and complete transcript from said original record insofar as said original record relates to, among other matters, the authorization of the issuance of not to exceed \$3,714,000 General Obligation Capital Outlay Refunding Notes, Series 2002, by said Municipality; (4) that the actions by said Council including the aforementioned, at said meeting were promptly and duly recorded by me in a book kept for such purpose; and, (5) that a quorum of the members of said Council was present and acting throughout said meeting.

WITNESS my official signature and the seal of said Municipality this 17th day of April, 2002.


Recorder

(SEAL)

FORM OF NOTE

EXHIBIT "A"

Registered
No. _____

Registered
\$ _____

UNITED STATES OF AMERICA
STATE OF TENNESSEE
TOWN OF SIGNAL MOUNTAIN
GENERAL OBLIGATION CAPITAL OUTLAY REFUNDING NOTE,
SERIES 2002

Interest Rate:

Maturity Date:

Dated Date:

CUSIP:

Registered Owner:

Principal Amount:

THE TOWN OF SIGNAL MOUNTAIN, HAMILTON COUNTY, TENNESSEE (the "Municipality"), a lawfully organized and existing municipal corporation, for value received, hereby acknowledges itself indebted and promises to pay, as hereinafter set forth, in the manner hereinafter provided, to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, unless this Note shall have been duly called for prior redemption and payment of the redemption price shall have been made or provided for, upon the presentation and surrender hereof at the office of the Recorder, Town Hall, Signal Mountain, Tennessee, or its successor as registrar and paying agent (the "Note Registrar"), the Principal Amount identified above, and to pay interest on said Principal Amount from the date hereof, or such later date as to which interest has been paid, to the Maturity Date, semi-annually on _____ and _____ of each year, commencing _____, 2002, at the Interest Rate per annum set forth above, by check, draft, or warrant to the Registered Owner hereof at the address shown on the registration books of the Note Registrar on the fifteenth (15th) calendar day next preceding an interest payment date, in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts.

In the event that any amount payable hereunder as interest shall at any time exceed the rate of interest lawfully chargeable on this note under applicable law, any such excess shall, to the extent of such excess, be applied against the principal hereof as a prepayment thereof without penalty, and such excess shall not be considered to be interest. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each.

The principal hereof and interest hereon shall bear interest from and after their respective due dates (whether by acceleration, demand, or otherwise) at the same rate of interest payable on the principal hereof.

Section 9-21-117, Tennessee Code Annotated, as amended (the "Code"), provides that this note and the income therefrom is exempt from all state, county, and municipal taxation in the State of Tennessee, except inheritance, estate, and transfer taxes and except as otherwise provided in said Code.

This note is one of a series of notes known as "General Obligation Capital Outlay Refunding Notes, Series 2002" (the "Notes"), issued by the Municipality in the aggregate principal amount of \$3,714,000. The Notes which are issued for the purpose of redeeming the outstanding principal of (i) that certain \$475,000 Water Department Capital Outlay Note, Series 1997, dated June 24, 1997, currently outstanding in the principal amount of \$345,000; (ii) those certain \$1,100,000 General Obligation Capital Outlay Notes, Series 1998, dated October 8, 1998, currently outstanding in the principal amount of \$880,000; (iii) that certain \$1,900,000 Sewer System Revenue and Tax Capital Outlay Note, Series 1999, dated August 5, 1999, currently outstanding in the principal amount of \$1,654,000; (iv) that certain \$600,000 Sewer System Revenue and Tax Capital Outlay Note, Series 1999A, dated August 5, 1999, currently outstanding in the principal amount of \$522,000; (v) that certain \$225,000 General Obligation Capital Outlay Note, Series 1999, dated August 5, 1999, currently outstanding in the principal amount of \$196,000; and, (vi) that certain \$175,000 General Obligation Capital Outlay Note, Series 1999A, dated August 5, 1999, currently outstanding in the principal amount of \$152,000 (such notes being herein called, collectively, the "Prior Notes"), the proceeds of the Prior Notes having been used to finance various public works projects, are authorized by an appropriate resolution of the Town Council and particularly that certain Resolution of the Town Council adopted on April 17, 2002, entitled "Resolution of the Town of Signal Mountain, Tennessee, Authorizing the Issuance of Interest Bearing General Obligation Capital Outlay Refunding Notes, Series 2002, in an Amount Not to Exceed \$3,714,000, and Providing for the Payment of Said Notes," as such resolution may be from time to time amended or supplemented in accordance with its terms (such resolution, as so amended or supplemented, being herein called, the "Resolution"), and are issued pursuant to, and in full compliance with, the Constitution and the statutes of the State of Tennessee, including, but not limited to, Title 9, Chapter 21, Tennessee Code Annotated, as amended (the "Act"). Copies of the Resolution are on file at the office of the Recorder of the Municipality, and reference is hereby made to the Resolution and the Act, for a more complete statement of the terms and conditions upon which the Notes are issued thereunder, the rights, duties, immunities, and obligations of the Municipality, and the rights of the Registered Owner hereof.

This Note and interest thereon is payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property in the Municipality without limitation as to time, rate, or amount. For the prompt payment of this note, both principal and interest, as the same shall become due, the full faith and credit of the Municipality are hereby irrevocably pledged.

The Municipality has designated the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This note is transferable by the Registered Owner hereof in person or by his, her, or its attorney or legal representative at the office of the Note Registrar, but only in the manner and subject to the limitations and conditions provided in the Resolution and upon surrender and cancellation of this note. Upon any such transfer, the Municipality shall execute, and the Note Registrar shall authenticate and deliver in exchange for this note, a new fully registered note or notes, registered in the name of the transferee, in authorized denominations, in an aggregate principal amount equal to the principal amount of this note, of the same maturity and bearing interest at the same rate. For every exchange or transfer of notes, whether temporary or definitive, the Municipality and the Note Registrar may make a charge, unless otherwise herein to the contrary expressly provided, sufficient to pay for any tax, fee, or other

governmental charge required to be paid with respect to such exchange or transfer, all of which taxes, fees, or other governmental charges shall be paid to the Municipality by the person or entity requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

The Municipality and the Note Registrar may deem and treat the person or entity in whose name this note is registered as the absolute owner hereof, whether such note shall be overdue or not, for the purpose of making payment of the principal of and interest on this note and for all other purposes. All such payments so made shall be valid and effectual to satisfy and discharge the liability upon this note to the extent of the sum or sums so paid, and neither the Municipality nor the Note Registrar shall be affected by any notice to the contrary.

The Notes are issuable only as fully registered Notes, without coupons, in denominations of \$5,000 or any authorized integral multiple thereof. At the office of the Note Registrar, in the manner and subject to the limitations, conditions, and charges provided in the Resolution, fully registered Notes may be exchanged for an equal aggregate principal amount of fully registered Notes of the same maturity, of authorized denominations, and bearing interest at the same rate.

The Notes shall be subject to redemption, in whole, at the option of the Municipality, at any time, at the price of par plus accrued interest to the date of redemption, upon not less than fifteen (15) calendar days written notice to the Registered Owner.

This note shall have all the qualities and incidents of, and shall be, a negotiable instrument under, the Uniform Commercial Code of the State of Tennessee, subject only to provisions respecting registration of such note. This note is issued with the intent that the laws of the State of Tennessee shall govern its construction.

It is hereby certified, recited, and declared that all acts and conditions required to be done and to exist precedent to the issuance of, this note in order to make this note a legal, valid, and binding obligation of the Municipality, have been done, and did exist in due time and form as required by the Constitution and statutes of the State of Tennessee; and that this note and the issue of which it is a part, together with all other indebtedness of such Municipality, does not exceed any limitation prescribed by the Constitution or statutes of the State of Tennessee.

IN WITNESS WHEREOF, THE TOWN COUNCIL OF THE TOWN OF SIGNAL MOUNTAIN, TENNESSEE has caused this note to be signed by the manual signatures of the Mayor and the Recorder and its official seal to be impressed or imprinted hereon, all as of _____, 2002.

MAYOR

(SEAL)

COUNTERSIGNED:

RECORDER

Date of Authentication:

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes described in the provisions of the within mentioned Resolution and is one of the General Obligation Capital Outlay Refunding Notes, Series 2002, of the Town of Signal Mountain, Tennessee.

By: _____
Recorder, as Note Registrar

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto

(Please type or print name, address, and social security number

or other identifying number of Assignee)

the within note and does hereby irrevocably constitute and appoint _____

_____, Attorney, to transfer the same note on the books

kept for registration hereby with full power of substitution in the premises.

Date: _____

SIGNATURE GUARANTEED:

SIGNATURE:

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

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within note in every particular, without alteration or enlargement or any change whatever.

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Minutes of May 13, 2002, continued

requested this Board be created when they were in the process of obtaining financing for expansion of their facilities. A brief discussion followed. Phil Noblett noted that the Town of Signal Mountain would not be responsible for the Alexian Village bond in the case of a default. Councilmember Steele made a motion to approve the resolution. Councilmember Bryant seconded the motion and it passed unanimously.

During the citizens' opportunity to address the Council, Tim Thelen requested the Town abandon a road right-of-way at Lot 34 St. Ives. A discussion followed. Mr. Thelen was instructed to discuss the matter with the Town Manager and then go to the Planning Commission.

Next there was a request from Tom Wicks with Joshua's Landscaping for the Town to abandon fees charged to contractors who are residents of the Town. A lengthy discussion followed. The Council did not waive the fee but decided to look at the fee structure and consider charging more for non-biodegradable materials than for biodegradable landscaping debris.

Lou Oliphant noted there was no Planning Commission report since they had not met.

The Council set the date of May 25, 2002, to conduct a meeting in which they planned to meet with the Town Manager, Town Recorder, and the various Department Heads to review the proposed 2003 budget. The meeting was scheduled to begin at 8:00 a.m. and last until the complete budget was reviewed.

Councilmember Bryant inquired regarding the status of the sewer system. Hershel Dick explained the Hamilton County Wastewater Treatment Authority was very interested in taking over the Town's sewer system. He further explained that he was also in discussion with the City of Chattanooga regarding taking over the system. He informed the Council he would be making a recommendation soon.

The Mayor informed the citizens that the census of the Town's residents had been completed with about 280 additional people added to the official census count. He thanked the employees that had worked on this and briefly explained the count process.

The meeting was adjourned.



James H. Althaus, Mayor



Diana Campbell, Town Recorder