

Substitute Resolution No. RS2010-1443

Resolution supplemental to Substitute Resolution No. RS2010-1442, authorizing the execution, terms, issuance, sale and payment of water and sewer revenue bonds in multiple series in the aggregate principal amount of not to exceed \$400,000,000.

WHEREAS, pursuant to the Act and the Charter (as such terms are hereafter defined), the Metropolitan Government of Nashville and Davidson County (the "Metropolitan Government") owns and operates a water and sewer system (the "System");

WHEREAS, the Metropolitan Government is authorized under the Act and the Charter (as such terms are hereafter defined) to issue its water and sewer revenue bonds for the purposes of retiring its outstanding water and sewer bond anticipation notes, financing capital improvements to the System and refunding outstanding water and sewer revenue indebtedness; and

WHEREAS, the Metropolitan County Council (the "Metropolitan Council") on the date hereof adopted Substitute Resolution No. RS2010-1442 (the "Water and Sewer Bond Resolution"), authorizing the issuance from time to time of water and sewer revenue bonds upon the adoption by the Metropolitan Council of a supplemental resolution, and providing for the terms of such water and sewer revenue bonds and the operation of the System; and

WHEREAS, the Metropolitan Council hereby finds that it is in the best interest of the citizens of the Metropolitan Government to approve the issuance of water and sewer revenue bonds pursuant to the Water and Sewer Bond Resolution for the purpose of:

- (a) retiring its outstanding water and sewer commercial paper bond anticipation notes (the "Commercial Paper") which were issued pursuant to Resolution No. RS2009-995, adopted by the Metropolitan Council on October 20, 2009; and
- (b) refunding its outstanding Water and Sewer Revenue Refunding Bonds, Series 2002 (the "Refunded Bonds"); and
- (c) prepaying its outstanding obligations to the Tennessee Local Development Authority under all of those certain Loan Agreements between the Tennessee Department of Environment and Conservation, the Tennessee Local Development Authority and the Metropolitan Government, excluding any and all Revolving Fund Loan Agreements (the "TLDA Loan Agreements"); and
- (d) financing capital improvements to the System (the "Projects"), including all legal, fiscal, architectural, administrative and engineering costs incident thereto; and

WHEREAS, as required by Tennessee Code Annotated Sections 9-21-301 *et seq.*, the Metropolitan Council on October 20, 2009 adopted Resolution No. RS2009-994 (the "Initial Resolution"), preliminarily authorizing the issuance of up to \$500,000,000 of water and sewer revenue bonds; and

WHEREAS, the plan of refunding for the Refunded Bonds and the TLDA Loan Agreements has been submitted to the Director of State and Local Finance (the "State Director") as required by Section 9-21-1003, Tennessee Code Annotated, as amended, and she has acknowledged receipt thereof to the Metropolitan Government and either submitted her report thereon to the Metropolitan Government or declined to report within 15 days of the submission of the plan of refunding; and

WHEREAS, for the purpose of financing all or a portion of the Projects, retiring the Commercial Paper, prepaying the TLDA Loan Agreements and refunding the Refunded Bonds, the Metropolitan Council hereby finds it to be in the best interest of the citizens of the Metropolitan Government to issue its water and sewer revenue bonds in multiple series pursuant to the terms of the Water and Sewer Bond Resolution.

NOW THEREFORE, BE IT RESOLVED BY THE METROPOLITAN COUNTY COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY (TENNESSEE) AS FOLLOWS:

ARTICLE I.
AUTHORITY; FINDINGS; DEFINITIONS

Section 1.1. Resolution Supplemental to the Water and Sewer Bond Resolution. This First Supplemental Resolution is a Supplemental Resolution, as defined in the Water and Sewer Bond Resolution, providing for the issuance of the first series of Bonds to be issued thereunder.

Section 1.2. Findings. The Metropolitan Council hereby finds that (a) the refunding of the Refunded Bonds is advisable in that it will result in debt service savings, (b) the prepayment of the TLDA Loans is advisable because it will free the System from a burdensome pledge of System revenues and burdensome covenants related thereto, (c) retiring the Commercial Paper is advisable because prevailing long-term interest rates are at historic lows, and (d) employing the use of Federally Taxable Build America Bonds and Federally Taxable Recovery Zone Economic Development Bonds is advantageous because the effective rates on such bonds are more favorable than rates on similar Federally Tax-Exempt Bonds.

Section 1.3. Definition of Terms. Capitalized terms not otherwise defined herein shall have the meaning ascribed in the Water and Sewer Bond Resolution. The following words and terms as used herein, whether or not the words have initial capitals, shall have the following meanings, unless the context or use indicates another or different meaning or intent, and such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms herein defined:

Bond Purchase Agreement means the bond purchase agreement providing for the purchase and sale of the Series 2010 Bonds, by and between the Underwriters and the Metropolitan Government, in substantially the form attached hereto as Exhibit B, with such modifications thereto as shall be necessary to properly describe the Series 2010 Bonds being purchased.

Commercial Paper has the meaning ascribed in the preamble.

Debt Service Reserve Requirement means, with respect to the Series 2010 Bonds and any future Bonds which may, by Supplemental Resolution, be treated as an Additionally Secured Series benefitting from the Series 2010 Debt Service Reserve Account, an amount equal to the least of (a) 10% of the stated original principal amount of the Series 2010 Bonds and any such future Bonds; (b) the maximum Debt Service Requirement on the Series 2010 Bonds and any such future Bonds for any Fiscal Year; or (c) 125% of the average Debt Service Requirement for each Fiscal Year on the Series 2010 Bonds and any such future Bonds.

Direct Payment Credit means any direct payment credit received by the Metropolitan Government from the United States Treasury pursuant to (i) Section 54AA and Section 6431 of the Code with respect to any series of Series 2010 Bonds or portion thereof qualifying as Federally Taxable Build America Bonds under Section 54AA(g) of the Code, or (ii) Section 1400U-2 and Section 6431 of the

Code with respect to any series of Series 2010 Bonds or portion thereof qualifying as Federally Taxable Recovery Zone Economic Development Bonds under Section 1400U-2 of the Code, in each case for which the Metropolitan Government makes an irrevocable election as set for the herein.

DTC means The Depository Trust Company, a limited purpose company organized under the laws of the State of New York, and its successors and assigns.

DTC Participant(s) means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system.

Escrow Agent means The Bank of New York Mellon Trust Company, N.A., or its successor or successors under the terms of the Escrow Agreement.

Escrow Agreement means the Refunding Escrow Agreement, dated as of the Date of Issuance, to be entered into by and between the Metropolitan Government and the Escrow Agent, in the form of the document attached hereto and incorporated herein by this reference as Exhibit C.

Federally Taxable Bonds means, for purposes of this Supplemental Resolution, any series of Series 2010 Bonds, the interest on which is includable in gross income of the holders thereof for federal income tax purposes, excluding any series of Series 2010 Bonds issued as Federally Taxable Build America Bonds or Federally Taxable Recovery Zone Economic Development Bonds.

Federally Taxable Build America Bonds means, for purposes of this Supplemental Resolution, any series of Series 2010 Bonds or any portion of any series of Federally Taxable Direct Subsidy Bonds, the interest on which is includable in gross income of the holders thereof for federal income tax purposes and that, when issued, are "qualified bonds" within the meaning of Section 54AA(g)(2) of the Code qualifying to receive Direct Payment Credits.

Federally Taxable Direct Subsidy Bonds means Federally Taxable Build America Bonds and Federally Taxable Recovery Zone Economic Development Bonds.

Federally Taxable Recovery Zone Economic Development Bonds means, for purposes of this Supplemental Resolution, any series of Series 2010 Bonds or any portion of any series of Federally Taxable Direct Subsidy Bonds, the interest on which is includable in gross income of the holders thereof for federal income tax purposes and that, when issued, are treated as "qualified bonds" pursuant to Section 1400U-2(a)(1) of the Code qualifying to receive Direct Payment Credits.

Federally Tax-Exempt Bonds means any series of Series 2010 Bonds, the interest on which is intended to be excludable from gross income of the holders thereof for federal income tax purposes.

Financial Advisor means First Southwest Company.

First Supplemental Resolution means this resolution, which is the first supplement to the Water and Sewer Bond Resolution.

Initial Resolution has the meaning ascribed in the preamble.

Letter of Representation means the Blanket Issuer Letter of Representations to DTC of the Metropolitan Government, dated April 27, 1995.

Official Statement and **Preliminary Official Statement** mean the Official Statement and Preliminary Official Statement described herein pertaining to the sale of the Series 2010 Bonds.

Projects has the meaning ascribed in the preamble.

Recovery Zone means, collectively, the entire area within the corporate boundaries of the Metropolitan Government.

Recovery Zone Project means the portion of the Projects more particularly described in **Exhibit F**, attached hereto and incorporated herein by reference.

Refunded Bonds has the meaning ascribed in the preamble.

Series 2010 Bonds means, collectively, the series of water and sewer revenue bonds authorized by this Bond Resolution.

Series 2010 Debt Service Reserve Account means the account with that name established by Section 2.3 hereof.

TLDA Loan Agreements has the meaning ascribed in the preamble.

Underwriters means Morgan Stanley & Co. Incorporated and the other underwriters designated in the Bond Purchase Agreement by the Metropolitan Mayor and the Finance Director.

Water and Sewer Bond Resolution has the meaning ascribed in the preamble.

ARTICLE II.

AUTHORITY, PLEDGE OF TRUST ESTATE, ADDITIONALLY SECURED OBLIGATIONS

Section 2.1. **Authority.** For the purposes of (i) retiring the Commercial Paper at maturity; (ii) refunding the Refunded Bonds; (iii) prepaying the TLDA Loan Agreements; (iv) funding the costs of the Projects; (v) reimbursing the Metropolitan Government for funds previously spent for the Projects; and (vi) paying costs incident to the sale and issuance of the Series 2010 Bonds, there shall be issued pursuant to, and in accordance with, the provisions of Tennessee Code Annotated Sections 9-21-101 *et seq.*, the Charter (as hereafter defined), the Initial Resolution, the Water and Sewer Bond Resolution and other applicable provisions of law, water and sewer revenue bonds of the Metropolitan Government in one or more series in an aggregate principal amount of not to exceed \$400,000,000. The Metropolitan Government shall issue the Series 2010 Bonds in separate series, with one or more series being issued as Federally Tax-Exempt Bonds, Federally Taxable Build America Bonds, Federally Taxable Recovery Zone Economic Development Bonds and Federally Taxable Bonds. Federally Taxable Bonds shall be issued only for those purposes described above which cannot be financed with Federally Tax-Exempt Bonds or Federally Taxable Direct Subsidy Bonds. The remaining Series 2010 Bonds shall be allocated between Federally Tax-Exempt Bonds and Federally Taxable Direct Subsidy Bonds as may be required by federal tax laws and in a manner that minimizes the interest cost to the Metropolitan Government.

Section 2.2. **Pledge of Trust Estate.** The Series 2010 Bonds shall be payable from and secured by the Trust Estate, as set forth in the Water and Sewer Bond Resolution.

Section 2.3. **Additionally Secured Obligations.** The Series 2010 Bonds shall be an Additionally Secured Series. There is hereby established for the Series 2010 Bonds a Debt Service Reserve Account within the Debt Service Reserve Fund. Such Account shall be called the "Series 2010

Debt Service Reserve Account” and shall be held and maintained for the benefit of the Holders of the Series 2010 Bonds. The Metropolitan Government shall fund the Series 2010 Debt Service Reserve Account to the Debt Service Reserve Requirement for the Series 2010 Bonds by depositing thereto on the Date of Issuance an amount of Series 2010 Bond proceeds equal to the Debt Service Reserve Requirement. No deposit shall thereafter be required to be made to the Series 2010 Debt Service Reserve Account for the Series 2010 Bonds unless amounts are withdrawn from said account as required by the Water and Sewer Bond Resolution. In the event deposits to the Series 2010 Debt Service Reserve Account for the Series 2010 Bonds shall be required pursuant to the preceding sentence, said deposits shall be payable monthly, commencing in the month first following the withdrawal, in a minimum amount equal to 1/24th of the difference between the Debt Service Reserve Requirement for the Series 2010 Bonds and the amount in such account, so that any deficiency in said account shall be replenished over a period of not greater than twenty-four (24) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments.

The Metropolitan Government may, by Supplemental Resolution, cause one or more future Additionally Secured Series of Bonds to be beneficiaries of the Series 2010 Debt Service Reserve Account on an equal basis with the Series 2010 Bonds. In that case, and upon the issuance of such Additionally Secured Series of Bonds, the Metropolitan Government shall cause to be deposited to the Series 2010 Debt Service Reserve Account an amount equal to the increase in the Debt Service Reserve Requirement resulting from the issuance of such Additionally Secured Series. Such amount shall be deposited to the Series 2010 Debt Service Reserve Account not less than monthly, commencing in the month following the issuance of such Additionally Secured Series, in a minimum amount of 1/24th of the amount of the increase in the Debt Service Reserve Requirement, so that the full amount of such increase shall be funded over a period of not greater than 24 consecutive months; provided that any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments.

An Authorized Finance Officer is hereby authorized to establish subaccounts within the Series 2010 Debt Service Reserve Account to segregate the proceeds of each Series of Series 2010 Bonds.

Section 2.4. Tax Credit Bonds. Each Series of Series 2010 Bonds issued as Federally Taxable Direct Subsidy Bonds shall be Tax Credit Bonds, and each such Series shall be additionally payable from and secured by Tax Credit Payments attributable to such Series, as described in the Water and Sewer Bond Resolution. There is hereby created within the Debt Service Fund a Tax Credit Payment Account for each Series of Federally Taxable Direct Subsidy Bonds, which shall bear such designations as may be prescribed by an Authorized Finance Officer. The Tax Credit Payments attributable to each such Series shall be deposited immediately upon receipt to the applicable Tax Credit Payment Account and applied in accordance with the Water and Sewer Bond Resolution.

ARTICLE III. FORM AND TERMS OF SERIES 2010 BONDS

Section 3.1. Authorized Bonds. The aggregate principal amount of Series 2010 Bonds that may be issued under this First Supplemental Resolution shall not exceed \$400,000,000.

Section 3.2. Form of Bonds. The Series 2010 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof; provided that any Series of Series 2010 Bonds other than the Federally Tax-Exempt Bonds may be sold in denominations of not less than \$1,000 or any integral multiple thereof. The Series 2010 Bonds shall be substantially in the applicable forms set forth in Exhibit A attached hereto, with such appropriate variations, omissions, and insertions as are permitted or required by this Supplemental Resolution, the blanks therein to be

appropriately completed when the Series 2010 Bonds are prepared, and may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or any usage or requirement of law with respect thereto or as otherwise desired by the Metropolitan Government.

Section 3.3. Maturities, Interest Rates, Book-Entry Bond.

(a) The Federally Tax-Exempt Bonds shall be designated "Water and Sewer Revenue Refunding Bonds, Series 2010A". The Federally Taxable Build America Bonds shall be designated as "Water and Sewer Revenue Bonds Federally Taxable, Series 2010B (Build America Bonds – Direct Payment)". The Federally Taxable Recovery Zone Economic Development Bonds shall be designated as "Water and Sewer Revenue Bonds Federally Taxable, Series 2010C (Recovery Zone Economic Development Bonds)". The Federally Taxable Bonds shall be designated "Water and Sewer Revenue Refunding Bonds Federally Taxable, Series 2010D". The Series 2010 Bonds shall be dated the Date of Issuance. The Series 2010 Bonds shall bear interest from the date thereof at fixed rates not exceeding 7.25% or the maximum interest rate permitted by applicable law, such interest being payable semi-annually on the first day of January and July of each year, commencing on July 1, 2011. The Series 2010 Bonds shall mature, subject to prior redemption as hereinafter provided, either serially or through mandatory redemption, commencing on January 1, 2012 through January 1, 2041, in such amounts as shall be provided in the Bond Purchase Agreement. The foregoing terms are subject to adjustment as described in Section 6.1.

(b) The Series 2010 Bonds will be Book Entry Bonds, registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. Transfers of beneficial ownership will be effected on the records of DTC the DTC Participants pursuant to rules and procedures established by DTC. Payments of principal, interest, and redemption premium, if any, with respect to the Series 2010 Bonds, so long as DTC is the only owner of the Series 2010 Bonds, shall be paid by the Paying Agent directly to DTC or its nominee, Cede & Co., as provided in the Letter of Representation.

The Paying Agent appointed herein is hereby authorized to take such actions as may be necessary from time to time to qualify and maintain the Series 2010 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series 2010 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2010 Bonds and provision of notices with respect to Series 2010 Bonds registered by the 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 Series 2010 Bonds, provided, however, that the Paying Agent shall not be liable with respect to any such arrangements it may make pursuant to this section.

ARTICLE IV.
REDEMPTION OF BONDS PRIOR TO MATURITY

Section 4.1. Redemption Dates and Prices.

(a) Subject to the adjustments permitted pursuant to Section 6.1 hereof, (i) the Federally Tax-Exempt Bonds may be subject to redemption prior to maturity at the option of the Metropolitan Government on January 1, 2020 and thereafter, as a whole or in part at any time at the redemption price of par plus accrued interest to the redemption date, and (ii) the Federally Taxable Bonds and the Federally Taxable Direct Subsidy Bonds may be subject to redemption prior to maturity at the option of the Metropolitan Government, in whole or in part, at a redemption price equal to the greater of:

(i) 100% of the principal amount of the Federally Taxable Bonds and Federally Taxable Direct Subsidy Bonds to be redeemed; or

(ii) the sum of the present values of the remaining scheduled payments of principal and interest on the Federally Taxable Bonds and Federally Taxable Direct Subsidy Bonds to be redeemed discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus additional basis points not less than ten per maturity as shall be determined by the Metropolitan Mayor and the Director of Finance and set forth in the Bond Purchase Agreement,

plus, in each case, accrued and unpaid interest on the Federally Taxable Bonds and Federally Taxable Direct Subsidy Bonds being redeemed to the redemption date.

(b) Subject to the adjustments permitted pursuant to Section 6.1 hereof, in addition, the Federally Taxable Direct Subsidy Bonds may be subject to extraordinary optional redemption, in whole or in part, at the option of the Metropolitan Government, at the "Extraordinary Redemption Price", as described below, upon the occurrence of an "Extraordinary Event", as defined below. Subject to the adjustments permitted in Section 6.1 hereof, the Extraordinary Redemption Price is equal to the greater of (A) the issue price of the Federally Taxable Direct Subsidy Bonds, as described in the Federal Tax Certificate (but not less than 100%), to be redeemed or (B) the sum of the present values of the remaining scheduled payments of principal and interest on the Federally Taxable Direct Subsidy Bonds to be redeemed to the first optional redemption date described above, treating any principal payments due after such optional redemption date as if such principal payments were due on such optional redemption date, as it may be adjusted pursuant to Section 6.1 hereof, of such Federally Taxable Direct Subsidy Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Federally Taxable Direct Subsidy Bonds are to be redeemed, discounted to the date on which the Federally Taxable Direct Subsidy Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus not less than fifty basis points, as may be adjusted pursuant to Section 6.1 hereof, plus accrued interest on the Federally Taxable Direct Subsidy Bonds to be redeemed to the redemption date.

An "Extraordinary Event" shall have occurred if the Metropolitan Government determines that a material adverse change has occurred to Section 54AA or Section 6431 of the Code (as such sections were added by America Recovery and Reinvestment Act, pertaining to Build America Bonds) with respect to Federally Taxable Build America Bonds or Section 1400U-1, Section 1400U-2 or Section 6431 of the Code with respect to Federally Taxable Recovery Zone Economic Development Bonds or there is any guidance published by the Internal Revenue Service or the Department of the Treasury with respect to such sections or any other determination by the Internal Revenue Service of the Department of the Treasury, which determination is not the result of an act or omission by the Metropolitan Government to satisfy the requirements to receive the Direct Payment Credits, pursuant to which the Direct Payment Credits are reduced or eliminated.

"Treasury Rate" means, with respect to any redemption date for a particular Federally Taxable Direct Subsidy Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

For the purposes of determining the Treasury Rate, the following definitions shall apply:

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Federally Taxable Direct Subsidy Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has or have an actual or interpolated maturity comparable to the remaining life of the applicable Federally Taxable Direct Subsidy Bond to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the applicable Federally Taxable Direct Subsidy Bond to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Federally Taxable Direct Subsidy Bond, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Designated Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the Metropolitan Government.

"Reference Treasury Dealer" means three firms, specified by the Metropolitan Government from time to time, that are primary U.S. Government securities dealers in City of New York, New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Metropolitan Government shall substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Federally Taxable Direct Subsidy Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

(c) Except as set forth below, if less than all the Series 2010 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Metropolitan Council in its discretion. If less than all of the Series 2010 Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Series 2010 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2010 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

(ii) if the Series 2010 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2010 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.

(d) Federally Taxable Direct Subsidy Bonds subject to extraordinary optional redemption shall be selected on a pro-rata basis. Pro-rata basis is determined in connection with any partial optional redemption of a series of Federally Taxable Direct Subsidy Bonds by multiplying the principal amount of such maturity to be redeemed on the applicable redemption date by a fraction, the numerator of which is equal to the principal amount of such maturity owned by a registered owner, and the denominator of which is equal to the principal amount of such maturity then outstanding immediately prior to such redemption date, and then rounding the product down to the next lower integral of \$5,000, provided that

the portions being redeemed are required to be in multiples of \$5,000, and all the Federally Taxable Direct Subsidy Bonds of a maturity to remain outstanding following any redemption are required to be in multiples of \$5,000.

(e) Pursuant to Section 6.1 hereof, the Metropolitan Mayor and Director of Finance, or either of them, are authorized to sell the Series 2010 Bonds, or any maturities thereof, as term bonds ("Term Bonds") with mandatory redemption requirements corresponding to the maturities established pursuant to the terms hereof. In the event any or all the Series 2010 Bonds are sold as Term Bonds, the Metropolitan Government shall redeem Term Bonds on redemption dates corresponding to the maturity dates set forth herein, in aggregate principal amounts equal to the amounts provided in the Bond Purchase Agreement for each redemption date at a price of par plus accrued interest thereon to the date of redemption. The interest of each Participant in the Term Bonds to be so redeemed shall be selected by DTC, or such person as shall then be serving as the securities depository for the Series 2010 Bonds, using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Series 2010 Bonds, the Term Bonds to be so redeemed shall be selected by the Paying Agent by lot or such other random manner as the Paying Agent in its discretion shall select.

(f) At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the Metropolitan Government may (i) deliver to the Paying Agent for cancellation Series 2010 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under the mandatory redemption provisions set forth in (e) above for any Series 2010 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 Paying Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Paying Agent at 100% of the principal amount thereof on the obligation of the Metropolitan Government on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series 2010 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The Metropolitan Government shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Paying 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.

Section 4.2. Notice of Redemption.

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the Metropolitan Government not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2010 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Series 2010 Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Series 2010 Bonds for which proper notice was given. If at the time of the giving of the notice of optional or mandatory redemption there shall not be on deposit with the Registration Agent moneys sufficient to redeem all the Series 2010 Bonds of a series called for redemption, the notice of redemption shall state that the redemption of such Series 2010 Bonds of such series is conditional upon and subject to deposit of moneys with the Registration Agent sufficient to redeem all such Series 2010 Bonds not later than the opening of business on the redemption date and that such notice shall be of no effect if such moneys are not on deposit. The Registration Agent shall mail said notices, in the case of mandatory redemption of Term Bonds, as and when provided herein and in the Series 2010 Bonds, and, in the case of optional redemption, as and when directed by the Metropolitan Government pursuant to written instructions from an Authorized Officer of the Metropolitan Government given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent).

Section 4.3. Payment of Redeemed Bonds.

(a) If notice of redemption shall have been given in the manner and under the conditions provided in Section 4.2 hereof and if on the date so designated for redemption the Registration Agent shall hold sufficient monies to pay the redemption price of, and interest to the redemption date on, the Series 2010 Bonds to be redeemed as provided in this First Supplemental Resolution, then: (1) the Series 2010 Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2010 Bonds on such date; (2) interest on the Series 2010 Bonds so called for redemption shall cease to accrue; and, (3) such Series 2010 Bonds shall no longer be Outstanding or secured by, or be entitled to, the benefits of the First Supplemental Resolution, except to receive payment of the redemption price thereof and interest thereon from monies then held by the Registration Agent.

(b) If on the redemption date, monies for the redemption of all Series 2010 Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, shall not be held by the Registration Agent so as to be available therefor on such date, the Series 2010 Bonds or portions thereof so called for redemption shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of this First Supplemental Resolution.

ARTICLE V.
PAYING AGENT AND BOND REGISTRAR

The Metropolitan Government hereby appoints The Bank of New York Mellon Trust Company, N.A. as to serve as the Paying Agent and Bond Registrar for the Series 2010 Bonds, and authorizes and directs the Paying Agent to maintain registration records with respect to the Series 2010 Bonds, to authenticate and deliver the Series 2010 Bonds at original issuance, upon transfer, or as otherwise directed by the Metropolitan Government, to effect transfers of the Series 2010 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series 2010 Bonds as provided herein, to cancel and destroy Series 2010 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish the Metropolitan

Government at least annually a certificate of destruction with respect to Series 2010 Bonds canceled and destroyed, and to furnish the Metropolitan Government at least annually an audit confirmation of Series 2010 Bonds paid, Series 2010 Bonds Outstanding and payments made with respect to interest on the Series 2010 Bonds. The Metropolitan Mayor and the Director of Finance, or either of them is hereby authorized to execute and the Metropolitan Clerk is hereby authorized to attest such written agreement between the Metropolitan Government and the Paying Agent as they shall deem necessary or proper with respect to the obligations, duties and rights of the Paying Agent and Bond Registrar. The payment of all reasonable fees and expenses of the Paying Agent for the discharge of its duties and obligations hereunder or under any such agreement is hereby authorized and directed. The Paying Agent may also act as a filing agent for the Metropolitan Government, and in connection with the Federally Taxable Direct Subsidy Bonds, timely file the Form 8038-CP and receive the Direct Payment Credits in connection therewith. The Director of Finance is hereby authorized to enter into agreements with the Paying Agent for the performance of these duties on terms consistent with this Supplemental Resolution.

ARTICLE VI.
SALE OF BONDS AND APPLICATION OF PROCEEDS

Section 6.1. Sale of Series 2010 Bonds.

(a) The Series 2010 Bonds shall be sold at a negotiated sale by the Metropolitan Mayor, as permitted by law, in one or more series, at a price of not less than 98% of par, without regard to any original issue discount, as a whole or in part from time to time as shall be determined by the Director of Finance, in consultation with the Financial Advisor. The Metropolitan Mayor is authorized to execute and Metropolitan Clerk to attest the Bond Purchase Agreement with the Underwriters, providing the details of the terms of sale. The sale of any series of the Series 2010 Bonds to the Underwriters shall be binding on the Metropolitan Government, and no further action of the Metropolitan Council with respect thereto shall be required.

(b) The Metropolitan Mayor and the Director of Finance are authorized to cause to be sold in each series an aggregate principal amount of Series 2010 Bonds less than that shown in Section 3.1 hereof for each series, and to make establish the maturity schedule of each series designated in Section 3.3 hereof, so long as the total aggregate principal amount of all series issued does not exceed the total aggregate of Series 2010 Bonds authorized to be issued herein.

(c) The Metropolitan Mayor and Director of Finance, or either of them, are further authorized with respect to each series of Series 2010 Bonds to:

(1) make irrevocable elections in accordance with subsection (d) below directing that any series of Series 2010 Bonds be issued as Federally Taxable Direct Subsidy Bonds pursuant to Sections 54AA(d)(1)(c) and (g)(2) or 1400U-2(b)(1)(B) of the Code and direct that any other series of Series 2010 Bonds be issued as Federally Tax-Exempt Bonds or Federally Taxable Bonds;

(2) change the dated date to a date other than the Date of Issuance;

(3) change each series designation;

(4) change the first interest payment date to a date other than July 1, 2011, provided that such date is not later than twelve months from the Date of Issuance;

(5) establish the principal and interest payment dates and determine maturity or mandatory redemption amounts of each series of the Series 2010 Bonds, provided that (A) the total principal amount of all series of the Series 2010 Bonds does not exceed the total amount of Series 2010 Bonds authorized herein, and (B) the final maturity date of each series shall be not later than provided in Section 3.3 of this Supplemental Resolution;

(6) adjust or remove the optional redemption provisions for the Series 2010 Bonds;
and

(7) sell the Series 2010 Bonds, or any series thereof, or any maturities thereof as Term Bonds with mandatory redemption requirements as determined by the Metropolitan Mayor or Director of Finance and as deemed most advantageous to the Metropolitan Government.

(d) Each series of Series 2010 Bonds shall be offered for sale as Federally Tax-Exempt Bonds, Federally Taxable Direct Subsidy Bonds or Federally Taxable Bonds as determined by the Metropolitan Mayor, in consultation with the Director of Finance and Financial Advisor, by taking into account which type of Series 2010 Bond will result in the lowest true interest cost to the Metropolitan Government with respect to such series of Series 2010 Bonds, considering the Direct Payment Credit projected to be received if such series of Series 2010 Bonds is issued as Federally Taxable Direct Subsidy Bonds, and such other legal requirements and factors affecting the cost of the Metropolitan Government. If issued as Federally Taxable Direct Subsidy Bonds, the Metropolitan Mayor is directed to make the irrevocable elections required under Section 54AA(d)(1)(c) and (g)(2) and/or Section 1400U-2(b)(1)(B) of the Code to qualify such series of Series 2010 Bonds for Direct Payment Credits on each interest payment date. The Metropolitan Mayor or the Director of Finance is further authorized to submit one or more Form 8038-CP prior to each interest payment date for the purpose of receiving the Direct Payment Credit with respect to each interest payment date, or take such other actions required for receipt of the Direct Payment Credit required by the Internal Revenue Service or the United States Treasury. All decisions by the Metropolitan Mayor and the Director of Finance made pursuant to and in conformance with this subsection are authorized and shall be binding on the Metropolitan Government, and no further action of the Metropolitan Council with respect thereto shall be required.

(e) The forms of the Series 2010 Bonds set forth in Exhibit A hereto shall be conformed to reflect any changes made pursuant to this Section 6.1 hereof.

(f) The Metropolitan Mayor and the Metropolitan Clerk are authorized to cause the Series 2010 Bonds to be authenticated and delivered by the Paying Agent to the original purchaser of the Series 2010 Bonds and the Metropolitan Mayor, the Director of Finance, the Metropolitan Clerk and Director of Law are authorized to execute, publish, and deliver all certificates and documents, including the Official Statement, and closing certificates and documents, as they shall deem necessary in connection with the sale and delivery of the Series 2010 Bonds.

Section 6.2. Official Statement. The Metropolitan Mayor and Director of Finance, working with the Financial Advisor, are hereby authorized and directed to provide for the preparation and distribution, which may include electronic distribution, of a Preliminary Official Statement describing each series of the Series 2010 Bonds in the form of the Preliminary Official Statement attached hereto as Exhibit D and by this reference made a part hereof (the "Preliminary Official Statement"), with such completions, omissions, insertions and changes as shall be necessary to cause the Preliminary Official Statement to accurately describe the Series 2010 Bonds and the financial condition of the Metropolitan Government. After the Series 2010 Bonds have been sold, the Metropolitan Mayor and Director of Finance, or either of them, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent herewith as are necessary or desirable to complete it as a

final Official Statement for such series of Series 2010 Bonds for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The Metropolitan Mayor and Director of Finance shall arrange for the delivery to the Underwriters of a reasonable number of copies of the Official Statement within seven business days after the Series 2010 Bonds have been sold.

The Metropolitan Mayor and Director of Finance are authorized, on behalf of the Metropolitan Government, to deem the Preliminary Official Statement and the Official Statement in final form, each to be final as of its date within the meaning of Rule 15c2-12(b)(1), except for the omission in the Preliminary Official Statement of certain pricing and other information allowed to be omitted pursuant to such Rule 15c2-12(b)(1). The distribution of the Preliminary Official Statement and the Official Statement in final form shall be conclusive evidence that each has been deemed in final form as of its date by the Metropolitan Government except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 6.3. Disposition of Bond Proceeds. The proceeds of the sale of the Series 2010 Bonds shall be disbursed as follows:

(a) An amount which will be sufficient to retire the Commercial Paper at maturity shall be deposited to the Commercial Paper Fund established by the Issuing and Paying Agency Agreement, dated as of November 1, 2009, between the Metropolitan Government and Deutsche Bank Trust Company Americas (the "Issuing and Paying Agent"), and invested by the Issuing and Paying Agent as directed by the Director of Finance until needed to retire the Commercial Paper. Any amounts remaining with the Issuing and Paying Agent after the retirement of the Commercial Paper shall be transferred to the Debt Service Fund and applied to the payment of interest on the Series 2010 Bonds.

(b) An amount which, together with other legally available funds of the Metropolitan Government, if any, and investment earnings thereon and on the Series 2010 Bond proceeds, will be sufficient to pay principal of and premium and interest on the Refunded Bonds to their redemption date shall be transferred to the Escrow Agent under the Escrow Agreement to be deposited to the escrow fund established thereunder to be held and applied as provided therein.

(c) An amount which, together with other legally available funds of the Metropolitan Government, if any, sufficient to prepay the TLDA Loan Agreements will be paid to the Tennessee Local Development Authority on the Date of Issuance.

(d) An amount equal to the Debt Service Reserve Requirement applicable to the Series 2010 Debt Service Reserve Account will be deposited to the Series 2010 Debt Service Reserve Account.

(e) The balance of the proceeds of the Series 2010 Bonds shall be deposited to the Construction Fund, to be deposited to a Project Account which is hereby established and designated as the "Series 2010 Project Account". An Authorized Finance Officer is hereby authorized to establish subaccounts within the Series 2010 Project Account as needed to segregate the proceeds of each Series of Series 2010 Bonds. Amounts on deposit in the Series 2010 Project Account shall be expended on Costs of the Projects, including without limitation the costs of issuing the Series 2010 Bonds.

Section 6.4. Tax Matters. The Metropolitan Government recognizes that the purchasers and owners of the Federally Tax-Exempt Bonds will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon is excludable from gross income for purposes of federal income taxation under laws in force on the date of delivery of the Federally Tax-Exempt Bonds. In this connection, the Metropolitan Government agrees that it shall take no action which may cause the interest on any of said Federally Tax-Exempt Bonds to be included in gross income for purposes of federal

income taxation. It is the reasonable expectation of the Metropolitan Council that the proceeds of the Federally Tax-Exempt Bonds will not be used in a manner which will cause the Federally Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Federally Tax-Exempt Bonds and other related funds established for the purposes herein set out shall be used and spent expeditiously for the purposes described herein. The Metropolitan Government further covenants and represents that in the event it shall be required by Section 148(f) of the Code to pay any investment proceeds of the Federally Tax-Exempt Bonds 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 Federally Tax-Exempt Bonds from being included in gross income for federal income tax purposes. The Metropolitan Mayor and the Director of Finance, or either of them, are authorized and directed to make such certifications in this regard in connection with the sale of the Series 2010 Bonds as either or both shall deem appropriate, and such certifications shall constitute a representation and certification of the Metropolitan Government.

The Metropolitan Government further recognizes that it will only be eligible to receive Direct Payment Credits with respect to any Federally Taxable Direct Subsidy Bonds if all of the foregoing requirements that would be applicable to Federally Tax-Exempt Bonds are met.

Section 6.5. Federally Taxable Recovery Zone Economic Development Bonds.

(a) The Metropolitan Council hereby authorizes the issuance of up to \$75,000,000 aggregate principal amount of the Series 2010 Bonds as Federally Taxable Recovery Zone Economic Development Bonds and directs that the proceeds of any such Federally Taxable Recovery Zone Economic Development Bonds be used solely to finance costs of the Recovery Zone Project and costs of issuance of such Federally Taxable Recovery Zone Economic Development Bonds.

(b) Pursuant to Section 1400U-1(b) of the Code, the Metropolitan Council hereby designates the Recovery Zone as an area having significant unemployment and general distress, and designates the Recovery Zone as a "recovery zone" pursuant to Section 1400U-1(b) of the Code.

Section 6.6. Application of Certain Investment Earnings. The investment earnings on amounts on deposit in the Series 2010 Debt Service Reserve Account shall, during the period of construction of the Projects, be paid to the Series 2010 Project Account of the Construction Fund, with the investment earnings on any subaccount within the Series 2010 Debt Service Reserve Account being paid to the corresponding subaccount of the Series 2010 Project Account. Thereafter, such investment earnings shall be applied as prescribed by the Water and Sewer Bond Resolution.

ARTICLE VII.

ESCROW AGREEMENT, NOTICE OF REFUNDING AND NOTICE OF REDEMPTION

Section 7.1. Authorization of Escrow Agreement. For the purpose of providing for the payment of the principal of and premium and interest on the Refunded Bonds, there is hereby authorized to be executed and delivered on behalf of the Metropolitan Government a Refunding Escrow Agreement with the Escrow Agent and to be deposited with the Escrow Agent the amount described in Section 6.3(b) hereof to be used by the Escrow Agent to purchase the investments provided therein; provided, however, that the yield on such investments shall be determined in such manner that none of the Federally Tax-Exempt Bonds will be an "arbitrage bond" within the meaning of Section 148(a) of the Code. The form of Escrow Agreement attached hereto as Exhibit C is hereby in all respects approved, and the Metropolitan Mayor is hereby authorized to execute and the Metropolitan Clerk to attest the Escrow Agreement on behalf of the Metropolitan Government in substantially the form thereof, with such changes as may be approved by the Metropolitan Mayor, including the inclusion of directions as to

investment and reinvestment of funds or directions to enter into such investment contracts as shall be advantageous to the Metropolitan Government, the execution thereof by either of them to constitute conclusive evidence of the approval of all such changes; provided the Escrow Agreement shall be approved as to form and legality by the Director of Law. 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 and premium and interest on the Refunded Bonds and to exercise such duties as set forth in the Escrow Agreement.

Section 7.2. Notice of Refunding and Notice of Redemption. Prior to the issuance of any Series 2010 Bonds, notice of the Metropolitan Government's intention to refund the Refunded Bonds shall be given, at the direction of the Director of Finance, by the respective paying agents for the Refunded Bonds, via first-class mail to the respective registered owners of the Refunded Bonds. Such notice shall be in substantially the form as provided in Exhibit E attached hereto and by this reference made a part hereof. Notwithstanding the foregoing, a notice of refunding shall not be given if, at or prior to the issuance of the Series 2010 Bonds, a notice of redemption shall have been given for any Refunded Bonds. The Director of Finance is hereby authorized to give notice of redemption of the Refunded Bonds or to authorize delivery of notice of redemption of the Refunded Bonds in accordance with the respective resolutions authorizing the Refunded Bonds.

ARTICLE VIII. MISCELLANEOUS

Section 8.1. Miscellaneous Acts. The appropriate officers of the Metropolitan Government are hereby authorized, empowered, and directed to do any and all such acts and things, and to execute, acknowledge, deliver, and, if applicable file or record, or cause to be filed or recorded, in any appropriate public offices, all such documents, instruments, and 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 Supplemental Resolution, or any of the documents herein authorized and approved, or for the authorization, issuance, and delivery by the Metropolitan Government of the Series 2010 Bonds.

Section 8.2. Amendment. The Metropolitan Council is hereby authorized to make such amendments to this Supplemental Resolution as will not impair the rights of the Bondholders.

Section 8.3. No Recourse Under Resolution or on Series 2010 Bonds. All stipulations, promises, agreements, and obligations of the Metropolitan Government contained in the Initial Resolutions or the Resolution or this Supplemental Resolution shall be deemed to be the stipulations, promises, agreements, and obligations of the Metropolitan Government and not of any officer, director, or employee of the Metropolitan Government in his or her individual capacity, and no recourse shall be had for the payment of the principal of or interest on the Series 2010 Bonds or for any claim based thereon or on the Initial Resolution or the Resolution or this Supplemental Resolution against any officer, director, or employee of the Metropolitan Government or against any official or individual executing the Series 2010 Bonds.

Section 8.4. Partial Invalidity. If any one or more of the provisions of this Supplemental Resolution, or of any exhibit or attachment thereto, shall be held invalid, illegal, or unenforceable in any respect, by final decree of any court of lawful jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other provision hereof, or of any exhibit or attachment thereto, but this Supplemental Resolution, and the exhibits and attachments thereto, shall be construed the same as if such invalid, illegal, or unenforceable provision had never been contained herein, or therein, as the case may be.

Section 8.5. Continuing Disclosure. The Metropolitan Government hereby covenants and agrees that it will provide financial information and material event notices as required by Rule 15c2-12 of the Securities Exchange Commission for the Series 2010 Bonds. The Metropolitan Mayor is authorized to execute at the Closing of the sale of the Series 2010 Bonds, an agreement for the benefit of and enforceable by the owners of the Series 2010 Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of the Metropolitan Government to comply with the undertaking herein described and to be detailed in said closing agreement, shall not be a default hereunder, but any such failure shall entitle the owner or owners of any of the Series 2010 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause the Metropolitan Government to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

Section 8.6. Reimbursement. It is reasonably expected that the Metropolitan Government will reimburse itself for certain expenditures made by it in connection with the Projects, prior to the issuance of the Series 2010 Bonds, from proceeds of the sale of the Series 2010 Bonds. Without limiting the foregoing sentence, it is reasonably expected that the Metropolitan Government will reimburse itself for certain expenditures made by it in connection with the Recovery Zone Project prior to the issuance of the Series 2010 Bonds from proceeds of the sale of the Series 2010 Bonds designated as Federally Taxable Recovery Zone Economic Development Bonds. This resolution shall be placed in the minutes of the Metropolitan Council and shall be made available for inspection by the general public at the office thereof. This resolution constitutes a declaration of official intent under Treas. Reg. §1.150-2.

Section 8.7. Conflicting Resolutions Repealed. All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

Section 8.8. Effective Date. This Supplemental Resolution shall take effect from and after its adoption, the welfare of the Metropolitan Government requiring it.

[signature page follows]

RECOMMENDED BY:

Scott Potter

Scott Potter
Director of Water and Sewerage Services

APPROVED AS TO AVAILABILITY OF FUNDS BY:

Richard M. Riebeling

Richard M. Riebeling
Director of Finance

APPROVED AS TO FORM AND LEGALITY:

Sue B. Cain

Sue B. Cain
Director of Law

INTRODUCED BY:

[Signature]

MEMBERS OF COUNCIL