

Given to Finance Director 5/18/11 [Signature]



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

RECEIVED
MAY 18 2011

May 17, 2011

Honorable J.H Graham, Mayor
City of Crossville
99 Municipal Avenue
Crossville, TN 38555

Dear Mayor Graham:

This Office received a request on May 16, 2011, for approval to issue an amount not to exceed \$680,000 three year capital outlay notes to be known as the Airport Capital Outlay Notes, Series 2011 (the "Notes").

We received a copy of a Resolution adopted February 8, 2011, authorizing the issuance of the Notes to purchase land to expand the Municipal Airport (the "project"). The proposed note form was included with the resolution. Please send a copy of the executed note to us along with the form CT-0253.

Note Approval

This letter constitutes approval for the City of Crossville to issue the Notes by competitive or negotiated sale pursuant to *Tennessee Code Annotated* §9-21-604 and §9-21-607. Approval of the sale of the Notes is conditioned upon the City's compliance with all parts of Tennessee state law giving authority to issue such notes and the use of the capital outlay note form as mentioned in Section 7 of the resolution as well as not exceeding the legal limit on interest rates.

This approval is valid until December 31, 2011. If the Notes have not been issued by December 31, 2011, the Governing Body must adopt a new resolution to be submitted to this Office for approval.

The City is responsible for insuring compliance with Parts 1, 4, and 6 of Title 9, Chapter 21 of the *Tennessee Code Annotated* and timely payment of outstanding note principal and interest in accordance with the note provisions. **This letter and the approval to issue debt do not address the compliance with federal tax regulations and should not be relied upon for that purpose. The City should discuss these issues with a bond counsel.**

Purpose, Terms, and Life

This project meets the definition of a public works project in *Tennessee Code Annotated* §9-21-105, and the City may issue notes under the authority of *Tennessee Code Annotated* Title 9, Chapter 21 to finance such project. The maturity of the Notes does not exceed the life of the proposed project as attested by the local governing body. The submitted certified resolution and supporting documents appear to meet the requirements for the issuance of notes in Parts 1, 4, and 6 of Title 9, Chapter 21 of the *Tennessee Code Annotated*. The maximum maturity for the Notes as authorized by the governing body is three fiscal years after the fiscal year of issuance.

In accordance with the requirements of *Tennessee Code Annotated* §9-21-604, a condition for this approval is that not less than one-ninth (1/9) of the original principal amount of the Notes is paid each fiscal year after the fiscal year issued with the balance being paid in the final fiscal year of the Notes. In its Resolution, the City committed to pay one-third (1/3) of the principal outstanding each year. This repayment schedule meets the requirements of statute. If the City does not pay the minimum fiscal year principal payments stated in its resolution, the City will not be permitted to extend the maturity of the Notes or convert the Notes to bonds after the two (2) year period commencing on the date of issuance (*Tennessee Code Annotated* §9-21-606). The Resolution states the economic life of the project to be fifteen (15) years.

Invalid Obligations

Any notes issued contrary to the requirements of Parts 4 and 6 of Title 9, Chapter 21 of the *Tennessee Code Annotated* are deemed invalid obligations (as defined by *Tennessee Code Annotated* §9-21-406). Any invalid note shall not be repaid until the requirements of Parts 4 and 6 of *Tennessee Code Annotated* Title 9, Chapter 21 are met and the obligation is approved by this Office. The holder of a note not meeting the requirements shall forfeit any right to interest on the invalid note during the period issuance requirements are not met. The holder of such note may be directed to pay to the State of Tennessee general fund any interest paid during the period of invalidity.

Note extensions not properly executed according to the requirements of Parts 4 and 6 of Title 9, Chapter 21 of the *Tennessee Code Annotated* and/or approved by the Director are invalid obligations.

Director's Budget Approval Requirement

By issuing capital outlay notes under the authority of Title 9, Chapter 21 of the *Tennessee Code Annotated*, the City has placed itself under the budget approval authority of the Director of the Office of State and Local Finance for the life of any outstanding notes. This authority requires you, as Chief Executive Officer, to submit within 15 days of adoption the appropriation resolution with any necessary supporting documents to the Director for official budget approval to document:

- that the City's budget is balanced as required by state law,
- that the City intends to pay all your outstanding debt obligations, and
- that the annual budget is prepared in a form consistent with accepted governmental standards and as approved by the Director.

This Office can require the City to provide any information or perform any audits necessary to ascertain that the City maintains a balanced budget paying all outstanding debt obligations. If the government is unwilling to submit to the requirements of *Tennessee Code Annotated* §9-21-403, the approval to issue the Notes is rescinded. Please return this letter if the City elects not to comply with the requirements of *Tennessee Code Annotated* §9-21-403.

If the statutorily required budget and supporting documents are not submitted, the City will not be permitted to extend the maturity of the Notes or convert the Notes to bonds after the two (2) year period commencing on the date of issuance. Once under this requirement, if the City does not comply, it must publish a notice in a paper of general circulation in the City stating that a proper budget has not been submitted to the Director and that the Government is not operating in compliance with Part 4 of Title 9, Chapter 21, of the *Tennessee Code Annotated*.

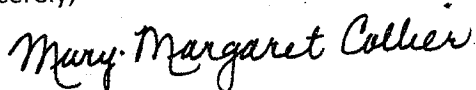
Public Debt Entity Report

Enclosed is a form CT-0253 - Report on Debt Obligation. Please complete this form and return it to this Office within 45 days of the date of issuance of the Notes.

A set of example documents is enclosed with this letter for the City to use as a pattern in submitting three year capital outlay notes approval requests. In therefore, failure to submit the documents or a request letter from the Mayor may result in a delay of approval.

Please inform us if the City decides not to issue any of the Notes approved in this letter.

Sincerely,



Mary-Margaret Collier
Director of State & Local Finance

Cc: Mr. Dennis Dycus, Director of Municipal Audit, COT
Ms. Sally Oglesby, City Recorder, City of Crossville

Enclosures (2)
Form CT-0253
Three Year Capital Outlay Note Example

RECEIVED

JUL 28 2011

STATE AND LOCAL FINANCE

State Form No. CT-0253

Issuer's No. _____

(To be filled out by State)

REPORT ON DEBT OBLIGATION
(Pursuant to Tennessee Code Annotated 9-21-151)

1. Issuer:

Name CITY OF CROSSVILLE
Address 99 MUNICIPAL AVE
CROSSVILLE, TN 38555

2. Debt Obligation:

- a. Bond
- b. CON
- c. BAN
- d. GAN
- e. Lease/Lease Purchase
- f. Loan Agreement
- g. TRAN

5. Face Amount of Debt Obligation: \$680,000.00

6. Type of Sale:

- a. Competitive Public Sale
- b. Negotiated Sale
- c. Loan Program _____

3. Security For Debt Obligation:

- a. General Obligation
- b. General Obligation Revenue
- c. Revenue
- d. Annual Appropriations

7. Tax Status:

- a. Tax Exempt
- b. Taxable

8. Dated Date: 07/12/2011

9. Issue Date (Closing Date): 07/12/2011

4. Purpose of Issue:

- | | | |
|-------------------------------------|-----------------------------|---------|
| <input type="checkbox"/> | a. General Government | _____ % |
| <input type="checkbox"/> | b. Education | _____ % |
| <input type="checkbox"/> | c. Highways and Streets | _____ % |
| <input type="checkbox"/> | d. Public Safety | _____ % |
| <input type="checkbox"/> | e. Solid Waste Disposal | _____ % |
| <input type="checkbox"/> | f. Industrial Park | _____ % |
| <input type="checkbox"/> | g. Manufacturing Facilities | _____ % |
| <input type="checkbox"/> | h. Health Facilities | _____ % |
| <input checked="" type="checkbox"/> | i. Airports | 100.0 % |
| <input type="checkbox"/> | j. Utilities | _____ % |
| <input type="checkbox"/> | i. Water | _____ % |
| <input type="checkbox"/> | ii. Sewer | _____ % |
| <input type="checkbox"/> | iii. Electric | _____ % |
| <input type="checkbox"/> | iv. Gas | _____ % |
| <input type="checkbox"/> | k. Refunding or Renewal | _____ % |
| <input type="checkbox"/> | l. Other _____ | _____ % |

specify

10. Ratings:

- a. Moody's _____
- b. Standard & Poor's _____
- c. Fitch _____
- d. Unrated _____

11. Interest Cost:

0.0 %

- a. TIC
- b. NIC
- c. Variable
- d. Other

12. Recurring Costs:

- a. Remarketing Agent Fees \$0.00
- b. Liquidity Fees \$0.00
- c. Credit Enhancement Fees \$0.00

13. Maturity Dates, Amounts and Interest Rates

Year	Amount	Interest Rate
2012	\$226,667.00	33.3 %
2013	\$226,667.00	33.3 %
2014	\$226,666.00	33.3 %
		%
		%
		%
		%
		%
		%
		%
		%
		%
		%

Year	Amount	Interest Rate
		%
		%
		%
		%
		%
		%
		%
		%
		%
		%
		%
		%
		%

If additional space is needed, attach additional sheet.

No. of years _____
(To be filled out by state.)

14. Itemized Description of the Cost of Issuance

(Round to Nearest Dollar)

		Name of Firm
a. Financial Advisor Fees*	_____	_____
b. Legal Fees:		
i. Bond Counsel	_____	_____
ii. Issuer's Counsel	\$3,689.00	Looney & Chadwell
iii. Trustee's Counsel	_____	_____
_____	_____	_____
_____	_____	_____
c. Paying Agent Fees and Registration Fees	_____	_____
d. Trustee Fees	_____	_____
e. Remarketing Agent Fees	_____	_____
f. Liquidity Fees	_____	_____
g. Rating Agency Fees	_____	_____
h. Credit Enhancement Fees	_____	_____
i. Underwriter's Discount _____%	_____	_____
i. Take Down	_____	_____
ii. Management Fee	_____	_____
iii. Risk Premium	_____	_____
iv. Underwriter's Counsel	_____	_____
v. Other Expenses	_____	_____
j. Printing and Advertising Fees	_____	_____
k. Issuer Fees	_____	_____
l. Real Estate Fees	_____	_____
m. Other Costs	_____	_____
n. Total Costs	\$3,689.00	_____

*If other costs are included, please itemize
Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if applicable.

15 Fred C Houston
Authorized Representative
Finance Director
Title

7-25-11
Date

Email

Fred C Houston
Preparer
Finance Director
Title

Firm
07/25/2011
Date
fchouston@crossvilletn.gov
Email

SEND TO: Director - Office of State and Local Finance, 505 Deaderick Street, Suite 1600, James K. Polk State Office Building, Nashville TN 37243-1402