
CITY OF MEMPHIS,

TENNESSEE

GAS SYSTEM REVENUE ANTICIPATION NOTES

NOTE RESOLUTION

(adopted _____, 2008)

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$35,000,000 GAS SYSTEM REVENUE ANTICIPATION NOTES OF THE CITY OF MEMPHIS FOR THE BENEFIT OF THE MEMPHIS LIGHT, GAS AND WATER DIVISION TO PROVIDE FUNDS, IN ANTICIPATION OF THE COLLECTION OF REVENUES FROM THE CITY'S GAS SYSTEM, TO PURCHASE NATURAL GAS, INCLUDING STORAGE COSTS AND PIPELINE CAPACITY COSTS AS PERMITTED BY § 7-34-111(d) OF TENNESSEE CODE ANNOTATED; FIXING THE TERMS OF SAID NOTES; AUTHORIZING AND APPROVING THE EXECUTION AND DELIVERY OF THE NOTES AND OTHER DOCUMENTS TO EFFECTUATE THE FINANCING; AUTHORIZING THE SALE OF THE NOTES TO THE PURCHASERS; DESIGNATING THE PAYING AGENT AND REGISTRATION AGENT AND AUTHORIZING CERTAIN OTHER ACTS IN CONNECTION WITH THE EXECUTION AND DELIVERY OF SAID NOTES.

WHEREAS, the City Council of the City of Memphis, Tennessee, is authorized to issue notes and notes on behalf of the Memphis Light, Gas and Water Division pursuant to Section 686 of the Charter of MLG&W.

WHEREAS, pursuant to Section 7-34-111, Tenn. Code Ann. (1996) the City is authorized to issue Revenue Anticipations Notes for the purpose of financing gas purchases in anticipation of the collection of revenues from the Gas System;

WHEREAS, the Board of Light, Gas and Water Commissioners has requested the Council to issue pursuant to its Charter and the Act not to exceed Thirty-Five Million Dollars (\$35,000,000) Gas System Revenue Anticipation Notes, to be designated Series of 2008 (herein defined as the "Notes") to finance the purchase of natural gas in anticipation of revenues from the Gas System; and

WHEREAS, this Council has determined that it is in the best interest of the City of Memphis to issue at this time Anticipation Notes to insure availability of natural gas to its citizens;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF MEMPHIS, as follows:

**ARTICLE I.
CERTAIN DEFINITIONS**

SECTION 1.01. Definitions by Reference. (a) All terms contained in this Resolution shall have the meanings given to such terms in Section 1.01 except as expressly provided herein or unless the context shall clearly indicate that another meaning is intended.

SECTION 1.02. Special Definitions. As used in this Resolution, the following words and phrases shall have the meanings hereinafter set forth unless the context shall clearly indicate that another meaning is intended.

"Act" means Title 7, Chapter 34, Tennessee Code Annotated.

"Note Counsel" means Allan J. Wade, PLLC or such other nationally recognized note counsel selected by the Division.

"Code" means the Internal Revenue Code of 1986, as amended.

"Division" means the Board of Light, Gas and Water Commissioners operating the Memphis Light, Gas and Water Division of the City, established pursuant to Private Acts of Tennessee, 1939, Chapter 381, as amended and any board, body, agency or instrumentality of the City which shall hereafter succeed to the powers, duties and functions of said Board.

"Gas System" shall mean a gas plant or system, including without limitation, all accessory apparatus, buildings and lands, right-of-way easements, and all other appurtenances to or accessories for such plant or systems to be operated for the acquisition, distribution and/or sale of natural or artificial gas for the inhabitants of the City of Memphis or elsewhere in Shelby County, Tennessee operated by and under the supervision of the Division.

"Registration Agent" means the Secretary-Treasurer of the Division.

SECTION 1.03. Time. All references to the time of day or the close of business used in this Resolution are to the time in effect and the close of business in The City of Memphis, Tennessee.

**ARTICLE II.
AUTHORIZATION OF ISSUANCE OF
GAS ANTICIPATION NOTES**

SECTION 2.01. Authorization of Gas Anticipation Notes.

(a) Authorization of Gas Anticipation Notes. There is hereby authorized to be issued, authenticated and delivered pursuant to and under the Charter and the Act designated the "Gas System Revenue Anticipation Notes" in the aggregate principal amount not to exceed Thirty-Five Million Dollars (\$35,000,000) to provide for financing of the purchase of natural gas on anticipation of receipt of revenues from the Gas System by the Division.

(b) Details of Anticipation Notes. The Notes shall mature twelve (12) months from issuance and bear interest at the rates per annum, not to exceed 5% per annum (computed in the

manner set forth in Section 6.03 hereof), all as shall be determined by the President of the Division.

SECTION 2.02. Denominations. Medium. Method and Place of Payment of Principal and Interest and Dating of Anticipation Notes. The Notes shall be issued in the form of fully registered Notes in the denomination of \$100,000 each or integral multiples thereof. The principal of and premium, if any, and interest on the Notes shall be payable in lawful money of the United States of America. The interest on the Notes shall be due at maturity.

The Anticipation Notes shall be dated as of July 15, 2008, shall show the date of authentication thereof and shall bear interest from the date of authentication.

SECTION 2.03. Form of Notes. The Notes and the assignment to appear thereon shall each be in substantially the forms respectively set forth in Exhibit A attached hereto and incorporated herein, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

SECTION 2.04. Delivery of Notes. (a) Conditions Precedent. The Notes shall be executed, but before the Secretary-Treasurer shall deliver the Notes there shall be filed with the Trustee the following:

- (1) a certified copy of this Resolution; and
- (2) evidence of approval by the Tennessee Director of Finance of the loan evidenced by the Notes.

When the documents mentioned in clauses (1) and (2), inclusive, of this Section 2.04(a) shall have been delivered to the Purchaser, and when the Notes shall have been executed and authenticated as required by the Resolution, MLGW shall deliver the Notes at one time to or upon the order of the purchasers, but only upon the payment to MLGW of the purchase price of the Notes.

SECTION 2.05. Application of Proceeds of Sale of the Notes. The proceeds of the Notes shall be deposited in the Division's Common fund to be used to defray the cost of gas purchases and other operating expenses of the Gas System.

ARTICLE III. REDEMPTION OF ANTICIPATION NOTES

SECTION 3.01. Redemption of Notes. The Notes may not be prepaid prior to their stated maturities.

ARTICLE IV.
EXECUTION AND AUTHENTICATION OF NOTES;
APPOINTMENT OF PAYING AGENT AND REGISTRATION
AGENT; PAYMENT OF NOTES; BOOK ENTRY; OTHER MATTERS

SECTION 4.01. Execution of Notes. The Notes shall be executed with the facsimile signature of the Mayor, the facsimile signature of the Comptroller of the City, and shall have imprinted thereon a facsimile of the Seal of the City. The Notes shall be valid and binding obligations notwithstanding that before the delivery thereof the persons whose facsimile signatures appear thereon shall have ceased to be officers of the City.

SECTION 4.02. Authentication of Notes. The Mayor and Comptroller of the City of Memphis, after execution of the Notes in the form and manner as set forth in this Resolution, shall cause the Notes to be deposited with the Registration Agent. The Registration Agent is hereby authorized and directed to authenticate the Notes and the Registration Agent is hereby authorized to deliver the Notes to the original Purchasers thereof upon payment of the proceeds of the sale thereof to MLGW.

SECTION 4.03. Printing of Notes. The Secretary of the Division is hereby authorized and directed to cause to be printed or typed the Notes, including the approving opinion of Note Counsel.

SECTION 4.04. Payment of Notes. The Division shall withdraw from available moneys of the Division, after paying or making provision for operating expenses of the Gas System and reserving sufficient moneys, with reasonably expected revenues, to provide for the payment of the Notes and intent thereon as and when due.

SECTION 4.05. Book-Entry: Replacement Notes. The Refunding Notes shall be issued only in fully registered form without coupons.

ARTICLE V.
REVENUES AND FUNDS

SECTION 5.01. Covenant as to Rates. The City shall provide for the establishing, maintaining and collecting by the Division of rates, fees, rents and charges for the use of the services and facilities furnished by the City's Gas System sufficient to provide for the payment of the expenses of the City and the Division incurred in the repair, maintenance and operation of the Gas System and for the payment of the principal of and the interest on the Notes as the same become due and payable, including reserves for such purposes.

SECTION 5.02. Establishment of Accounts. The Resolution provides for the payment of principal and interest on the Note solely from Gas System Revenues generated by the Gas System for which the Note is issued. The Resolution also provides for a sufficient amount of the revenues of the Gas System, over and above such expenses of repair, maintenance and operation, to pay the principal of and the interest on all outstanding notes as the same become due and

payable and to create a reserve for such purposes, which Note Fund is pledged to and charged with the payment of the principal of and the interest on the Note.

ARTICLE VI.
SPECIAL COVENANTS AND OTHER MATTERS

SECTION 6.01. Tax Covenant. The City covenants and agrees that it will comply with the requirements of Section 103 and Sections 141-150 of the Code if and to the extent required to maintain the exclusion of interest on the Notes from gross income for federal income tax purposes under the Code.

SECTION 6.03. Sale of Notes. The President of the Division is hereby authorized to negotiate with _____, with respect to the purchase of the Notes, the Notes to be sold at the price of not less than par and at an effective composite interest rate of not more than 5%, determined by doubling the semiannual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the dated date of the Notes and to the purchase price, not including interest accrued to the date of delivery.

SECTION 6.04. Official Action. The officers of the City and the Division are hereby authorized and directed to do all acts and things required of them by the provisions of the Notes and the Note Resolution, for the full, punctual and complete performance of all the terms, covenants, provisions and agreements of the Notes and the Note Resolution and also to do all acts and things required of them by the provisions of the Note Resolution.

SECTION 6.08. Effect of Section Headings and Table of Contents. The headings or titles of the several Sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning or construction, interpretation or effect of this Note Resolution.

SECTION 6.10. Effective Date. This Note Resolution shall take effect immediately upon adoption.

EXHIBIT A

**CITY OF MEMPHIS, TENNESSEE
MLGW GAS SYSTEM REVENUE ANTICIPATION NOTES, SERIES 2008**

REGISTERED:

Date:

REGISTERED AMOUNT:

INTEREST RATE:

MATURITY DATE:

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The CITY OF MEMPHIS ("City"), a municipal corporation organized and existing under the laws of the State of Tennessee, for value received, hereby promises to pay, solely from the special fund provided therefor as hereinafter set forth, to the Registered Owner (named above), or registered assigns, on the Maturity Date (specified above), the Principal Amount (specified above), upon the presentation and surrender of this Note by the Registered Owner at the principal office of the City, 220 So. Main, Memphis, Tennessee, 38103, or at the principal office of any other or successor Paying Agent for this Note designated by the City together with interest due on said Principal Amount on April 30, 2009, and interest only on said Principal Amount shall be payable quarterly on October 1, 2008, January 1, 2009, and at maturity, April 30, 2009 or on the date such Principal Amount at the Interest Rate (specified above) per annum is actually paid, solely from said special fund, to said Registered Owner hereof, or registered assigns, by wire transfer or by draft or by check drawn upon the City's accounts and mailed to the Registered Owner in whose name this Note is registered at its address as it appears on the note registration books of the City kept and maintained by the Registration Agent as of the close of business on the fifteenth day of the calendar month preceding the month in which principal or interest is payable. The principal of and premium, if any, and interest on this Note are payable in such coin or currency of the United States of America as at the respective dates of payment is legal tender for public and private debts.

This Note shall not be deemed to constitute a debt of the City within the meaning of any Constitutional, Charter or statutory limitation, and neither the State of Tennessee nor the City or other political subdivision is liable for the payment of this note or the interest hereon, but this note shall be payable as to both principal and interest solely from the special fund provided therefor and revenues pledged thereto as hereinafter set forth.

This Note is one of a duly authorized series of revenue notes known as "Gas System Revenue Anticipation Note, Series of 2008," issued in the aggregate principal amount of Thirty-

Five Million Dollars (\$35,000,000) for the purpose of providing funds, in anticipation of the collection of revenues from the City's Gas System, to purchase natural gas, including storage costs and pipeline capacity costs as permitted by § 7-34-111(d) of Tennessee Code Annotated, which is operated on behalf of the City by the Board of Light, Gas and Water Commissioners (the "Division").

This Note (hereinafter referred to as the "Note") is issued under and pursuant to a note resolution duly adopted by the Council of the City of Memphis on _____, 2008 (such resolutions, hereinafter collectively called the "Resolution"). Copies of the Resolution are on file at the office of the City Comptroller and at the office of the Division. Reference is hereby made to the Resolution for the provisions, among others, with respect to custody and application of the proceeds of the Notes, the collection and disposition of revenues, the funds charged with and pledged to the payment of the principal of and interest on the notes, the nature and extent of the security for the notes, the terms and conditions on which the notes are or may be issued, the rights, duties and obligations of the City and the rights of the holders of the Notes, and, by the acceptance of this Note, the holder hereof assents to all of the provisions of the Resolution.

This Note is issued and the Resolution was adopted under and pursuant to the Constitution and laws of the State of Tennessee, particularly Chapter 34, Title 7, Tennessee Code Annotated, as amended, and the Charter of the City of Memphis, and this Note is issued under and pursuant to resolutions duly adopted by the City and the Division, including the Resolution.

The City shall provide for the establishing, maintaining and collecting by the Division, with the approval of the City, of rates, fees, rents and charges for the use of the services and facilities furnished by the City's Gas System sufficient to provide for the payment of the expenses of the City and the Division incurred in the repair, maintenance and operation of the Gas System and for the payment of the principal of and the interest on notes as the same become due and payable, including reserves for such purposes. The Resolution provides for the payment of principal and interest on the Note solely from Gas System Revenues generated by the Gas System for which the Note is issued. The Resolution also provides for a sufficient amount of the revenues of the Gas System, over and above such expenses of repair, maintenance and operation, to pay the principal of and the interest on all outstanding notes as the same become due and payable and to create a reserve for such purposes, which Note Fund is pledged to and charged with the payment of the principal of and the interest on the Note.

Subject to the limitations and upon payment of the charges, if any, provided in the proceedings authorizing the Note, this Note may be exchanged at the office of the Division for a like aggregate principal amount of Notes of other authorized principal amounts and of the series of which this Note is one. This Note is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the office of the Paying Agent but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the proceedings authorizing the Notes of the series of which this Note is one, and upon the surrender hereof for cancellation. Upon such transfer a new Note or Notes of authorized denominations and of the same aggregate principal amount of the series of which this Note is one will be issued to the transferee in exchange herefor.

The holder of this Note shall have no right to enforce the provisions of the Resolution or

to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Resolution or to institute or appear in or defend any suit or other proceeding with respect thereto, except as, to the extent and in the manner provided in the Resolution.

In certain events, on the conditions, in the manner and with the effect set forth in the Resolution, the principal of the Notes may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

Modifications or alterations of the Resolution or of any resolution supplemental thereto may be made only to the extent and in the circumstances permitted by the Resolution.

This Note is issued with the intent that the laws of the State of Tennessee shall govern its construction and enforcement.

All acts, conditions and things required by the Constitution and laws of the State of Tennessee and the rules and regulations of the City of Memphis to happen, exist and be performed precedent to and in the issuance of this Note have happened, exist and have been performed as so required.

IN WITNESS WHEREOF, the City of Memphis has caused this Note to bear the facsimile signatures of the Mayor and the City Comptroller, and a facsimile of its seal to be imprinted hereon, all as of the ____ day of _____, 2008.

CITY OF MEMPHIS

(Seal)
Attest:

DR. W.W. HERENTON, Mayor

Comptroller

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes described in the within mentioned Resolution and is one of the City of Memphis, Tennessee Gas System Revenue Anticipation Notes, Series of 2008.

REGISTRATION AGENT

By: _____
Authorized Signature

(FORM OF ASSIGNMENT)

For value received _____ hereby sells, assigns and transfers unto _____ the within mentioned note and hereby irrevocably constitutes and appoints _____, Attorney, to transfer the same on the books of registration in the principal office of the Registration Agent of the City with full power of substitution in the premises.

Dated: _____

Witness: _____

NOTE: The signature of this assignment must correspond with the name as written on the face of the within Note in every particular, without alteration, enlargement or any change whatsoever.