

NEW ISSUE - BOOK ENTRY ONLY

**RATINGS: MOODY'S: Aa2
STANDARD & POOR'S: AA+
FITCH: AA
(See "RATINGS" herein)**

\$20,000,000

**CITY OF MEMPHIS, TENNESSEE
(Shelby County)
Sanitary Sewerage System Revenue Bonds,
Series 1998**

Dated: January 15, 1998

Due: January 1, as shown below

The Sanitary Sewerage System Revenue Bonds, Series 1998 (the "1998 Bonds"), are being issued to finance improvements to the City's Sanitary Sewerage System.

The 1998 Bonds are secured by and payable solely from Revenues derived from the City's Sanitary Sewerage System, subject to prior payment of Operating Expenses, on a parity with the City's outstanding \$63,730,000 Sanitary Sewerage System Revenue and Revenue Refunding Bonds and any other bonds issued hereafter on a parity therewith. The 1998 Bonds are not general obligations of the City, do not pledge the credit or taxing power of the City, create any debt or charge against the taxes or general revenues of the City, or create any lien against any City property other than against Sanitary Sewerage System Revenues.

The 1998 Bonds shall be issued as fully registered bonds without coupons and when issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York, to which principal and redemption premium (if any) and interest payments on the 1998 Bonds will be made. Individual purchases will be made in book-entry form only, in principal amounts of \$5,000 or any integral multiple thereof. Beneficial owners of the 1998 Bonds will not receive physical delivery of bond certificates, but each beneficial owner will receive a credit balance on the books of its nominee. This credit balance will be confirmed by an initial transaction statement stating the details of the 1998 Bonds purchased. Interest on the 1998 Bonds will be payable semiannually on each July 1 and January 1, commencing July 1, 1998, to the registered owner as of the close of business on the 15th day of the calendar month next preceding an interest payment date by check mailed by First Tennessee Bank National Association, Memphis, Tennessee, as more fully described herein. Principal and premium, if any, will be payable as more fully described herein. First Tennessee Bank National Association is Registrar and Paying Agent. The 1998 Bonds are subject to optional redemption prior to maturity under the terms and conditions described herein.

| <u>Year</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Price or Yield</u> | <u>Year</u> | <u>Amount</u> | <u>Interest Rate</u> | <u>Price or Yield</u> |
|-------------|---------------|----------------------|-----------------------|-------------|---------------|----------------------|-----------------------|
| 1999 | \$545,000 | 4.50% | 3.60% | 2005 | \$2,250,000 | 5.25% | 4.20% |
| 2000 | 565,000 | 4.50 | 3.80 | 2006 | 1,450,000 | 4.125 | 4.25 |
| 2001 | 590,000 | 4.50 | 3.90 | 2007 | 1,280,000 | 4.20 | 4.30 |
| 2002 | 995,000 | 3.875 | 4.00 | 2008 | 870,000 | 5.25 | 4.35 |
| 2003 | 2,400,000 | 5.25 | 4.05 | 2017 | 2,660,000 | 4.80 | 4.90 |
| 2004 | 2,325,000 | 5.25 | 4.15 | 2018 | 2,645,000 | 4.80 | 4.95 |

\$1,425,000 4.80% Term Bond Due January 1, 2016, Yield 4.85%

In the opinion of Bond Counsel, (i) under existing statutes and court decisions, interest on the 1998 Bonds is not includable in gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"); and (ii) under existing statutes interest on the 1998 Bonds is not treated as a preference item in calculating alternative taxable income for purposes of the federal alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations (see "TAX EXEMPTION" herein); and, under the laws of the State of Tennessee, the 1998 Bonds and the income therefrom are exempt from all State, county and municipal taxation within Tennessee, except inheritance, transfer and estate taxes, and except to the extent such interest may be included within the measure of corporate privilege taxes.

The 1998 Bonds are offered for delivery when, as and if issued, subject to the opinion as to their validity of Hawkins, Delafield & Wood, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Lewis, Munday & Carpenter, Memphis, Tennessee. It is expected that the 1998 Bonds will be delivered on or about February 12, 1998 in New York, New York.

**M•R•BEAL & COMPANY
THE CHAPMAN COMPANY
DUNCAN-WILLIAMS, INC.
JACKSON SECURITIES INCORPORATED
LLAMA COMPANY
MORGAN KEEGAN & COMPANY, INC.**

Dated: January 22, 1998