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**Board Meeting Agenda  
Thursday, February 19, 2015  
Noon**

**Call to Order**

**Roll Call**

**Approval of Minutes**

**Official Action**

Resolution 1324 – Adopting Amended By-Laws for the Knoxville Utilities Board and Hereby Revoking and Replacing all Previous By-Laws or Amendments Thereto

Resolution 1325 – Requesting the Council of the City of Knoxville, Tennessee to Provide for the Issuance of Not to Exceed Thirty-Two Million Two Hundred Fifty Thousand and No/100 Dollars (\$32,250,000) in Aggregate Principal Amount of Electric System Revenue Refunding Bonds, Series EE-2015; Issuance of Not to Exceed Twelve Million Nine Hundred Thousand and No/100 Dollars (\$12,900,000) in Aggregate Principal Amount of Gas System Revenue Refunding Bonds, Series U-2015; Issuance of Not to Exceed Twenty-Four Million Five Hundred Thousand and No/100 Dollars (\$24,500,000) in Aggregate Principal Amount of Water System Revenue Refunding Bonds, Series BB-2015; and Issuance of Not to Exceed One Hundred Forty Million and No/100 Dollars (\$140,000,000) in Aggregate Principal Amount of Wastewater System Revenue Refunding Bonds, Series 2015A

**President's Report**

**Other Business**

**Public Comments**

**Adjournment**



Knoxville Utilities Board

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February 13, 2015

Knoxville Utilities Board  
445 S. Gay Street  
Knoxville, Tennessee 37902-1109

Commissioners:

Staff worked with Chair Bruce Anderson and General Counsel Bill Coley to review and draft amendments to the By-Laws. The proposed revisions were presented at last month's meeting, in accordance with Article XII of the current By-Laws, which requires that the Board hear the proposed changes in a separate meeting from the one in which action is taken to revise them.

Recommended revisions bring clarity to administrative and procedural practices of the Board, such as updating the order of business and the Ethics and Conflict of Interest requirements. Other clarifications were made to Board responsibilities and term limits.

Resolution 1324 of the By-Laws is included for your review. If approved on first and final reading, the By-Laws will become effective immediately. I recommend approval of Resolution 1324.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Mintha E. Roach'.

Mintha E. Roach  
President and CEO

**RESOLUTION NO. 1324**

**A Resolution Adopting Amended By-Laws for the Knoxville Utilities Board and Hereby Revoking and Replacing all Previous By-Laws or Amendments Thereto**

**Whereas**, the Board's Chair determined it appropriate to review the By-Laws of the Knoxville Utilities Board; and

**Whereas**, Article XII of the current By-Laws provides that the By-Laws may be amended by the Board and that such amendment may be proposed at any meeting of the Board but shall not be acted upon at the meeting at which proposed; and

**Whereas**, the proposed revisions add clarity to administrative procedures, officer terms, and Board responsibilities; and

**Whereas**, there was a board presentation on January 15, 2015, therefore complying with the process for adopting revised By-Laws.

**Now, Therefore, Be it Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:**

**Section 1:** That all previously adopted By-Laws or amendments thereto are hereby revoked and the revised By-Laws attached as a part of this resolution, are hereby adopted.

**Section 2:** That this resolution will take effect from and after its passage.

\_\_\_\_\_  
Nikitia Thompson, Chair

\_\_\_\_\_  
Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
MINUTE BOOK \_\_\_PAGE \_\_\_\_\_



**BY-LAWS OF THE  
KNOXVILLE UTILITIES BOARD**

**Adopted as Restated by Resolution 1324 on February 19, 2015**

**I. DEFINITIONS**

Words and terms used in these By-Laws shall be defined as set out in Charter Section 1102.

**II. PURPOSE, POWER AND DUTIES OF KNOXVILLE UTILITIES  
BOARD**

Section 1101 of the Charter of the City of Knoxville provides that “the purchase, production, sale and distribution of utility services by the City of Knoxville, both within and without the limits of the city, and the agencies and facilities used for such purposes, shall be under the jurisdiction, control and management of the ‘Knoxville Utilities Board’.”

Additionally, Section 1106 (A) of the Charter provides that “the board shall have and exercise and is granted by the Charter all the powers and duties possessed by the City of Knoxville to construct, acquire, expand, or operate the system. The board, either by itself or by its duly-authorized officers and employees, shall have and maintain full control and complete jurisdiction over the management and operation of the system and may make all contracts and do any and all acts and things that are necessary, convenient or desirable in order to operate, maintain, enlarge, extend, preserve and promote an orderly, economic and business-like administration of the system. Except as expressly provided in [Article XI of the Charter], the system shall be free from the jurisdiction, direction, or control of other city officers, employees and of the city council.”

**III. REGULAR MEETINGS**

The Board shall hold regular meetings at its Corporate Headquarters at noon on the third Thursday of each month, except July, unless otherwise established by the Chair. Any meeting as to which Commissioners are given at least five (5) business days notice served

personally or electronically shall be considered a regular meeting. Adequate public notice shall be given of the time and location of all regular meetings of the Board.

#### **IV. SPECIAL MEETINGS**

Special meetings of the Board may be called by the Chair or by any two (2) Commissioners upon notice to each Commissioner, served personally or electronically. Generally, such meetings will require at least twenty-four (24) hours notice; however, if the emergency nature of the business to be conducted at the meeting will not allow for twenty-four (24) hours notice, the maximum practicable notice shall be given. The notice of any such meeting shall provide the time, place, and purpose thereof, clearly and specifically describing the subject matter of the motions or items of business to be brought up. No official action shall be taken relating to business other than that specifically mentioned in the notice for such meeting.

Adequate public notice shall be given of all special meetings of the Board. Any Commissioner may waive his or her right to notice of a special meeting before, during, or after the meeting. The presence of a Commissioner at such a meeting shall constitute an automatic waiver of the notice requirements.

#### **V. QUORUM**

Four (4) Commissioners shall constitute a quorum of the Board, and no action shall be taken by the Board except by the affirmative vote of at least four (4) Commissioners.<sup>1</sup>

#### **VI. ORDER OF BUSINESS OF BOARD MEETINGS**

- A. The order of business at regular meetings will generally be as follows:
1. Call to Order
  2. Roll Call
  3. Approval of Minutes
  4. Official Action
  5. President's Report

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<sup>1</sup> Charter of the City of Knoxville, Section 1105(C)

6. Other Business
  7. Public Comments
  8. Adjournment
- B. The President and CEO shall be responsible for the preparation and distribution of the agenda for all meetings of the Board.
  - C. All resolutions and motions which contemplate the appropriation or expenditure of money, or which make a change in any rate to be charged for services rendered under the jurisdiction of the Board, shall require a roll call vote, and the result of the vote shall be recorded.
  - D. In making any change in any rate to be charged consumers of utility services, the provisions of Charter Section 1107(L) shall be followed.
  - E. At any meeting, motions may be made and resolutions may be introduced by any Commissioner, including the Chair, or by the President and CEO. The Chair shall have the right to speak and vote on all matters brought before the Board.
  - F. All resolutions shall be in writing when submitted to the Board. The Chair or a majority of the Board may require that any motion be reduced to writing before taking action thereon.
  - G. All questions of priority of business, including a change in the order of business, may be decided at any time by the Chair or by a majority of the Board and shall not be subject to debate.
  - H. The Board shall provide an opportunity for public comment before a vote to take official action and during the Public Comment portion of the Board meeting. Public comments will be limited to 5 minutes per speaker unless waived by the Board.
  - I. All parliamentary procedures not expressly provided for by the Charter or by these By-Laws shall be governed by the then current edition of *Robert's Rules of Order*.

## **VII. BOARD OFFICERS**

### **A. Officer Elections and Terms**

A new election of officers of the Board shall be held each year pursuant to the provisions of Charter Section 1105(B). A Commissioner elected to the office of Chair shall be eligible to serve two (2) consecutive one (1)-year terms or until his or her service as Commissioner ends, whichever comes first; however, this limitation may be waived by the Board if in its judgment, circumstances exist that would make it in the best interest of KUB for a Commissioner to continue to serve in this capacity. A Commissioner elected to the office of Vice Chair shall not serve successive one (1)-year terms. A Commissioner elected to the office of Secretary shall be limited to two (2) consecutive one (1)-year terms. A member of staff elected to serve as Secretary may hold office at the will of the Board<sup>2</sup>.

Notwithstanding the provisions outlined above, a Commissioner may be reelected to serve as an officer as long as there is a break in service.

### **B. Officer Vacancies and Absences**

1. In the event of an officer's permanent vacancy during a term, the vacancy shall be announced at a regularly scheduled Board meeting. At the next regularly scheduled meeting of the Board, the Nominating Committee shall nominate a replacement to serve the balance of the term. An election of the full Board shall be held immediately thereafter. The newly-elected officer shall be eligible for reelection to one (1) one (1) -year term in the case of Chair or Secretary (if the Secretary is a Commissioner rather than a staff member); a Commissioner elected to complete a partial term as Vice Chair shall not be eligible for immediate reelection.
2. In the event of a temporary absence or disability of the Chair, the Vice Chair shall preside in accordance with Charter Section 1105.

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<sup>2</sup> Charter Section 1105 (B)

3. In the event of a temporary absence or disability of the Secretary, the Chair may appoint the responsibility to a Commissioner, full-time employee of the System, or KUB's General Counsel.

C. Chair Responsibilities

1. Preside over meetings in a manner consistent with these By-Laws and the Charter.
2. Create committees of the Board and appoint Committee Chairs. In the event of a temporary absence of a Committee Chair, the Chair will designate a temporary Committee Chair.
3. Appoint Commissioners to committees of the Board, created either by the Chair or by a majority vote of the Board. In making such appointments, the Chair shall strive to involve all Commissioners in one or more of the various committees of the Board and to rotate their appointments over time so that each Board member acquires a broad range of experience in preparation for future leadership roles on the Board.
4. The Chair may attend Committee meetings and shall have a voice but no vote on actions taken in Committee meetings.
5. Execute on behalf of the Board contracts, resolutions, or other instruments as required in accordance with Charter Section 1106 (D). The Vice-Chair may execute any such documents in the Chair's absence, or the Chair may designate duly authorized officers, employees, or commissioners to execute any such document.
6. Ensure the presence of a quorum at all meetings where official action is to be taken.
7. Ensure adherence to the provisions of the Tennessee Open Meetings Act, Tennessee Code Annotated (TCA) Sections 8-44-101 et seq.
8. Perform such other duties as from time to time are appropriate to the office or are assigned by the Board.

D. Vice Chair

The Vice Chair shall sit for the Chair and perform the duties of the Chair during the Chair's temporary absence or disability and shall perform such other duties as may from time to time be assigned by the Chair or by the Board.

E. Secretary

The Secretary shall be responsible for taking and keeping the minutes of the Board meetings, filing executed minutes of Committees, authenticating official documents of the Board, and performing such other duties as may from time to time be assigned by the Chair or by the Board.

### **VIII. COMMITTEES OF THE BOARD**

Committees of the Board shall include, but not be limited to, the Audit and Finance Committee and the Nominating Committee. All standing committees shall have three (3) members, and each Committee's Chair shall execute minutes of its meetings and resolutions as necessary.

A. The Audit and Finance Committee shall:

1. Oversee financial reporting, risk management, and auditing.
2. Make recommendations to the Board regarding the selection and engagement of an independent, certified public accountant for financial auditing pursuant to provisions set forth by Charter Section 1107 (B).
3. Require the President and CEO to periodically evaluate organizational risks and develop and implement audit plans related to organizational risk.
4. Develop an understanding, by conferring with management and the auditors, of control issues facing the company and address any identified control deficiencies.
5. Meet each year with management and the independent, certified public accountant to review the annual financial audit report.
6. Meet each year in executive session with the independent, certified public accountant to review the annual financial audit report.
7. Review and measure the organization's financial performance.

8. Establish total compensation of the President and CEO.
9. Oversee the operation of the KUB Retirement System as established by Board Resolution 979, by future amendment, or by successor resolutions.
10. Oversee the operation of the Other Post Employment Benefits (OPEB) Trust as established by Board Resolution 1168, by future amendment, or by successor resolutions.
11. Review the Improper Activity Report, Competitive Bidding Exceptions Report and other reports mandated by state law as they arise.
12. The Committee may convene in a non-public, executive session pursuant to requirements and procedures set forth in TCA 9-3-405 or in other state law.

B. Nominating Committee.

1. Recommend to the Board a slate of at least five (5) nominees for a Commissioner to fill an existing or impending vacancy on the Board. In discharging this duty, the Nominating Committee shall consult the provisions of Charter Sections 1103(A), (B), and (C).
2. Recommend to the Board nominees for officer positions for consideration at the first regular meeting of the Board following the regular election of a Commissioner and when a permanent vacancy occurs in any office. In discharging this duty, the Nominating Committee shall comply with the provisions of Charter Sections 1103 (C) and 1105(A) and (B) and Bylaws Section VII (B).

**IX. DUTIES AND RESPONSIBILITIES OF THE BOARD**

A. General.

1. Each Commissioner term shall be for a period of seven (7) years, and no commissioner shall be elected to serve for more than two (2) terms, except as provided by Charter Section 1103 (A).
2. The Board shall provide policy direction to ensure that the System meets the objectives of the Board; shall make all necessary rules and regulations

for the efficient use, operation, and management of the System; and shall function as a group to provide responsible, informed policy judgments.

3. Each Commissioner shall take an oath of office at the first regular meeting attended following City Council's appointment, including instances when a Commissioner is reappointed to serve a second term.
4. Each Commissioner shall stay informed, attend meetings regularly, participate in discussions, and maintain an active, diligent approach to Board responsibilities.
5. Each Commissioner shall discharge his or her duties in good faith, with the care of an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner he or she reasonably believes to be in the best interests of KUB.
6. The Board shall adopt By-Laws, not inconsistent with the Charter, to guide the actions of the Board.
7. The Board shall follow ouster procedures as provided by Charter Section 1112 and state ouster laws.

B. Financial Management.

1. The Board shall ensure that all Charter provisions relating to financial management are followed.
2. Budgeting.
  - a. Each fiscal year, the Board shall require the development of a budget which fairly projects the anticipated revenues and expenditures required to operate and maintain the System during the forthcoming fiscal year.
  - b. The Board shall be furnished the proposed budget at least forty-five (45) days prior to the beginning of the forthcoming fiscal year. The Board may request management furnish additional information related to the proposed budget prior to formal consideration of the budget.

- c. Prior to the approval of the budget, the Board shall require the chief financial officer to certify the availability of funds adequate to fund the proposed budget.
- d. The Board shall approve a budget for the forthcoming fiscal year no later than fifteen (15) days prior to its beginning, provided the approved budget shall not exceed the level of funds certified by the chief financial officer to fund the budget.
- e. The Board may amend budget appropriations at any time during the fiscal year if deemed necessary, provided funds are certified as available by the chief financial officer.

**X. POWERS AND DUTIES OF THE PRESIDENT AND CEO**

The powers and duties of the President and CEO shall be as follows:

- A. To exercise such powers and duties as are set out in the Charter, including, but not limited to, Charter Section 1110.
- B. To file suit on behalf of KUB and oversee the defense of suits filed against KUB.
- C. To execute contracts and other documents on behalf of KUB; and to delegate authority to sign contracts and documents.
- D. To fix the compensation and implement wage and salary systems, pay practices, and health and welfare benefits, for all officers and employees of KUB, except as provided in By-laws Section VIII, A(8).
- E. To develop a systematic approach to the creation, implementation, and review of long range plans which shall include strategic, operational, and financial considerations; and to review any such plans with the Board on a periodic basis.
- F. To provide the Board regular financial reports.
- G. To perform such other duties as may be directed by the Board or as are appropriate to the office of President and CEO.
- H. To act in accordance with the requirements of the law and corporate policies, and to further require employees of KUB to comply with the laws and policies that apply to them.

## **XI. ETHICS AND CONFLICTS OF INTEREST**

As a public body, the Board recognizes its responsibility to operate KUB in an ethical manner. Toward that end, Board members shall abide by the tenets expressed by the first KUB Board in Resolution 1, which provided that KUB be managed in a non-political manner with the elimination of any sentiment or influence from political or personal friendship. In addition to the requirements defined in Charter Section 1102, a Board member may not be an employee or retiree of an energy, water or wastewater utility or energy company. Additional provisions include state laws regarding conflict of interest and the Ethics Policy adopted by the Board in Resolution 1152, by future amendment, or by successor resolutions and incorporated by reference herein.

## **XII. AMENDMENT OF BY-LAWS**

These By-Laws may be amended by the Board. An amendment may be proposed at any meeting of the Board but shall not be acted upon at the meeting at which proposed. At any subsequent meeting, the proposed amendment, as originally proposed or as amended, may be adopted by a majority vote of the Board. When a proposed amendment receives less than a majority of the Board, no further action can be taken on such proposed amendment at that meeting; however, the same or a similar amendment may again be proposed at a later meeting.



February 13, 2015

Knoxville Utilities Board  
445 S. Gay Street  
Knoxville, Tennessee 37902-1109

Commissioners:

Staff has identified an opportunity for refinancing outstanding bonds for all four utility systems at lower interest rates thus providing a savings in future debt service payments. The refunding candidates represent bonds sold by KUB over the years 2005 through 2009 for the purpose of funding utility system capital improvements.

Resolution 1325 authorizes the issuance of up to \$209.6 million in revenue refunding bonds, including \$140.0 million for the wastewater system, \$32.2 million for the electric system, \$24.5 million for the water system, and \$12.9 million for the natural gas system. The proceeds of the bonds will be used to retire the outstanding bonds, pay interest payments on the outstanding bonds prior to the call date of the bonds, pay the underwriters' discounts, and cover all issuance costs related to the sale of the refunding bonds. Resolution 1325 also requests City Council authorization to issue the bonds, as Council approval is required for any debt issuance with a final maturity in excess of five years.

Based on current bond market performance, refunding bonds could be sold at rates providing a total debt service savings of \$15.2 million over the life of the bonds, net of fees, including \$10.7 million for the wastewater system, \$1.9 million for the water system, \$1.5 million for the electric system, and \$1.1 million for the natural gas system. Costs related to the issuance of the refunding bonds, including fees for the financial advisor, bond counsel, rating agencies, and other expenses, are estimated to be approximately \$900,000 or less than one-half of one percent of the par value of the bonds.

As required by state law, KUB submitted a refunding plan for each series of proposed refunding bonds to the State Comptroller. A copy of those refunding plans and the Comptroller's report on the refunding plans is attached for your information.

Resolution 1325 and the supporting City Council resolutions have also been attached for your review. A summary of the major provisions of the resolutions is also included for your information. I recommend approval of Resolution 1325 on first and final reading.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Mintha E. Roach'.

Mintha E. Roach  
President and CEO

**RESOLUTION NO. 1325**

**A Resolution Requesting the Council of the City of Knoxville, Tennessee to Provide for the Issuance of Not to Exceed Thirty-Two Million Two Hundred Fifty Thousand and No/100 Dollars (\$32,250,000) in Aggregate Principal Amount of Electric System Revenue Refunding Bonds, Series EE-2015; Issuance of Not to Exceed Twelve Million Nine Hundred Thousand and No/100 Dollars (\$12,900,000) in Aggregate Principal Amount of Gas System Revenue Refunding Bonds, Series U-2015; Issuance of Not to Exceed Twenty-Four Million Five Hundred Thousand and No/100 Dollars (\$24,500,000) in Aggregate Principal Amount of Water System Revenue Refunding Bonds, Series BB-2015; and Issuance of Not to Exceed One Hundred Forty Million and No/100 Dollars (\$140,000,000) in Aggregate Principal Amount of Wastewater System Revenue Refunding Bonds, Series 2015A**

**Whereas**, by the provisions of the City Charter of the City of Knoxville, Tennessee (the "City"), the management and operation of the City's electrical power distribution system (the "Electric System"); the City's natural gas distribution system (the "Gas System"); the City's water system (the "Water System"); and the City's wastewater system (the "Wastewater System") have been placed under the jurisdiction of the Board of Commissioners (the "Board") of the Knoxville Utilities Board ("KUB"); and

**Whereas**, the Board, after due investigation and consideration, deems it in the best interest of the City for the City to issue and sell not to exceed \$32,250,000 in aggregate principal amount of Electric System Revenue Refunding Bonds, Series EE-2015 (the "Electric Bonds") for the purpose of providing funds to refinance the outstanding principal amount of the City's outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029, including the payment of legal, fiscal and administrative costs incident to the issuance and sale of the Electric Bonds; and

**Whereas**, the Board, after due investigation and consideration, deems it in the best interest of the City for the City to issue and sell not to exceed \$12,900,000 in aggregate principal amount of Gas System Revenue Refunding Bonds, Series U-2015 (the "Gas Bonds") for the purpose of providing funds to refinance the outstanding principal amount of the City's Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031, including the payment of legal, fiscal and administrative costs incident to the issuance and sale of the Gas Bonds; and

**Whereas**, the Board, after due investigation and consideration, deems it in the best interest of the City for the City to issue and sell not to exceed \$24,500,000 in aggregate principal amount of Water System Revenue Refunding Bonds, Series BB-2015 (the "Water Bonds") for the purpose of providing funds to refinance the outstanding principal amount of the City's outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033, including the payment of legal, fiscal, and administrative costs incident to the issuance and sale of the Water Bonds; and

**Whereas**, the Board, after due investigation and consideration, deems it in the best interest of the City for the City to issue and sell not to exceed \$140,000,000 in aggregate principal amount of Wastewater System Revenue Refunding Bonds, Series 2015A (the "Wastewater Bonds") for the purpose of providing funds to refinance the outstanding principal amount of the City's outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040, the outstanding principal amount of the City's outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042, and the outstanding principal amount of the City's outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025, including the payment of legal, fiscal, and administrative costs incident to the issuance and sale of the Wastewater Bonds; and

**Whereas**, the Board has had prepared for passage by the Council of the City a resolution authorizing the issuance of the Electric Bonds, a copy of which is attached hereto and made a part hereof (the "Electric Resolution"); a resolution authorizing the issuance of the Gas Bonds, a copy of which is attached hereto and made a part hereof (the "Gas Resolution"); a resolution authorizing the issuance of the Water Bonds, a copy of which is attached hereto and made a part hereof (the "Water Resolution"); and a resolution authorizing the issuance of the Wastewater Bonds, a copy of which is attached hereto and made a part hereof (the "Wastewater Resolution").

**Now, Therefore, Be it Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board as Follows:**

**Section 1.** The Board hereby determines and finds that it is in the best interest of the City that the Council of the City adopt the Electric Resolution, in substantially the form presented to this meeting with only such changes as the Chief Financial Officer of KUB shall deem necessary, and authorize the issuance and sale of the Electric Bonds pursuant thereto, the description of the Electric Bonds, the security therefor and the purposes for which said Bonds are to be issued, being more fully stated in the Electric Resolution.

**Section 2.** The Board hereby determines and finds that it is in the best interest of the City that the Council of the City adopt the Gas Resolution, in substantially the form presented to this meeting with only such changes as the Chief Financial Officer of KUB shall deem necessary, and authorize the issuance and sale of the Gas Bonds pursuant thereto, the description of the Gas Bonds, the security therefor and the purposes for which said Bonds are to be issued, being more fully stated in the Gas Resolution.

**Section 3.** The Board hereby determines and finds that it is in the best interest of the City that the Council of the City adopt the Water Resolution, in substantially the form presented to this meeting with only such changes as the Chief Financial Officer of KUB shall deem necessary, and authorize the issuance and sale of the Water Bonds pursuant thereto, the description of the Water Bonds, the security therefor and the purposes for which said Bonds are to be issued, being more fully stated in the Water Resolution.

**Section 4.** The Board hereby determines and finds that it is in the best interest of the City that the Council of the City adopt the Wastewater Resolution, in substantially the form presented to this meeting with only such changes as the Chief Financial Officer of KUB shall deem necessary, and authorize the issuance and sale of the Wastewater Bonds pursuant thereto, the description of the Wastewater Bonds, the security therefor and the purposes for which said Bonds are to be issued, being more fully stated in the Wastewater Resolution.

**Section 5.** As required by the State Funding Board of the State of Tennessee, the Board has heretofore adopted a KUB Debt Management Policy. The Board hereby finds the issuance of the Electric Bonds, Gas Bonds, Water Bonds, and Wastewater Bonds, as proposed herein, is consistent with the KUB Debt Management Policy.

**Section 6.** The Board hereby formally requests the Council of the City to pass the Electric Resolution, the Gas Resolution, the Water Resolution and the Wastewater Resolution, and the Board does hereby adopt, ratify, approve, consent and agree to each and every provision contained in the Electric Resolution, the Gas Resolution, the Water Resolution and the Wastewater Resolution upon adoption.

**Section 7.** The Board has elected and does hereby elect that the Electric Bonds be issued under the Electric Resolution, the Gas Bonds be issued under the Gas Resolution, the Water Bonds be issued under the Water Resolution and the Wastewater Bonds be issued under the Wastewater Resolution.

**Section 8.** The Secretary of the Board shall deliver a certified copy of this Resolution to the Mayor and the Council of the City as formal evidence of this Board's action in connection therewith.

**Section 9.** This Resolution shall take effect from and after its passage.

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Nikitia Thompson, Chair

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Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: \_\_\_\_\_  
EFFECTIVE DATE: \_\_\_\_\_  
MINUTE BOOK \_\_\_ PAGE \_\_\_\_\_

## Resolution 1325

### Summary of Provisions of City Council Bond Resolutions for the Electric, Gas, Water, and Wastewater Systems

#### **Section 1. Authority.**

- Revenue refunding bonds will be issued pursuant to Tennessee Revenue Bond Law and other applicable provisions of law.

#### **Section 2. Definitions.**

- Definitions used in resolution.

#### **Section 3. Declarations.**

- Declares that applicable bond issuance tests have been met so that the refunding bonds can be issued on parity basis with other outstanding bonds of the divisions.

#### **Section 4. Findings**

- City Council finds that issuance of revenue refunding bonds will result in a reduction of debt service over the term of the refunded bonds, effecting a cost savings for the electric, gas, water and wastewater systems.

#### **Section 5. Authorization and Terms of Bonds.**

- Authorizes the issuance of the revenue refunding bonds for the electric, gas, water and wastewater systems.
- States purpose of issues, which is to (i) provide funds to pay principal, premium, and interest on refunded bonds, and (ii) pay for any legal, fiscal, administrative, and engineering costs associated with the issue and sale of the revenue refunding bonds.
- Bonds shall be fully registered without coupons.
- Interest rate on bonds shall not exceed 5 percent per annum.
- Interest payments shall be made semi-annually.
- Provides that the final maturity date shall not be later than 2029 for the electric refunding bonds, 2031 for the gas refunding bonds, 2033 for the water refunding bonds, and 2042 for the wastewater refunding bonds.
- Bonds maturing on or before 2025 shall mature without option of prior redemption. Bond maturing 2026 and thereafter shall be subject to redemption prior to maturity.
- Provides for book-entry registration of bonds.
- Provides execution procedures for bonds.
- Provides for appointment of Registration Agent and Paying Agent for bonds and denotes specific duties required of each agent.
- Provides for appointment of Refunding Escrow Agent for refunded bonds.

#### **Section 6. Source of Payment.**

- Declares that principal and interest on the bonds shall be payable solely from the revenues of the issuing system and shall be issued on a parity basis with outstanding revenue bonds.
- States those owners of the bonds shall have no recourse to the power of taxation of the City.

#### **Section 7. Form of Bonds.**

- Provides form of actual bonds (sample form).
- Interest income from bond is exempt from all present state, county, and municipal taxation in Tennessee, excluding inheritance, transfer, and estate taxes.

#### **Section 8. Pledge of Net Revenues.**

- States that principal, interest, and any premiums on bonds shall be paid from the net revenues of the issuing system on a parity basis with the system's outstanding revenue bonds.

#### **Section 9. Applicability of Master Bond Resolutions.**

- Declares that the bonds are issued in compliance with the issuing system's master bond resolution and under the authority of the master bond resolution.

#### **Section 10. Sale of Bonds.**

- Provides terms of sale of bonds.
- Bonds shall be sold at a negotiated sale or a competitive sale at a price of not less than 98 percent of par.
- Bonds shall not be sold at a negotiated sale without the prior approval of the Board's Audit and Finance Committee.
- Board or the President and CEO of KUB, as its designee, is authorized to sell less than the amount of the bonds authorized in the resolution and to make any necessary adjustments to the maturity schedule in order to facilitate the sale of the bonds, provided the final maturity date cannot be extended.
- If the bonds are sold through a negotiated sale, the President and CEO of KUB is authorized to execute a Bond Purchase Agreement with the applicable underwriter.
- If the bonds are sold through competitive public sale, the bonds shall be awarded by the Board or the President and CEO of KUB, as its designee, to the bidder whose bid results in the lowest true interest cost to KUB.

#### **Section 11. Disposition of Bond Proceeds.**

- Provides for disposition of bond proceeds to (i) the issuing system's bond fund for any accrued interest on the refunding bonds; (ii) pay the principal and interest on the system's refunded bonds, and (iii) to pay for issuance costs associated with the sale of the refunding bonds.

**Section 12. Discharge of Bonds.**

- Provides terms for discharging bonds.

**Section 13: Refunding Escrow Agreement.**

- Authorizes the execution of a Refunding Escrow Agreement with a Refunding Escrow Agent for the purpose of paying the principal and interest on the refunded bonds.

**Section 14: Notice of Refunding.**

- Notice of intent to refund the applicable outstanding bonds for each system shall be provided prior to the sale of each system's revenue refunding bonds.

**Section 15. Federal Tax Matters.**

- Recognizes that purchasers and owners of the revenue refunding bonds have accepted them on, and paid a price that reflects the understanding that interest earned on the revenue refunding bonds is exempt from federal income taxes.
- KUB agrees that it will take no action that will jeopardize the tax-exempt status of each system's revenue refunding bonds.

**Section 16. Official Statement.**

- Provides for the preparation and distribution of a Preliminary Official Statement and Official Statement describing the revenue refunding bonds for each system.

**Section 17. Continuing Disclosure.**

- City covenants that KUB will provide annual financial disclosure information as required by the Securities and Exchange Commission.

**Section 18. Separability.**

- Declares that in the event any provision(s) of the resolutions is deemed invalid or unenforceable, all other provisions will remain valid and enforceable.

**Section 19. Repeal of Conflicting Resolutions and Effective Date.**

- Repeals all conflicting resolutions.
- Declares effective date to be date of City Council approval.

**Exhibit A: Form of Bond Purchase Agreement.**

- Substantial form of agreement to be used in the event bonds are sold through a negotiated sale.

**Exhibit B: Form of Refunding Escrow Agreement**

- Substantial form of agreement to be used with Refunding Escrow Agent(s).

A RESOLUTION SUPPLEMENTING RESOLUTION NO. 1644 ADOPTED BY THE CITY COUNCIL OF THE CITY OF KNOXVILLE, TENNESSEE ON JANUARY 4, 1949 ENTITLED "A RESOLUTION PROVIDING FOR THE ISSUANCE OF ELECTRIC SYSTEM REVENUE BONDS" SO AS TO PROVIDE FOR THE ISSUANCE OF NOT TO EXCEED THIRTY-TWO MILLION TWO HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$32,250,000) OF ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES EE-2015.

RESOLUTION NO: \_\_\_\_\_

REQUESTED BY: \_\_\_\_\_

PREPARED BY: \_\_\_\_\_

APPROVED AS TO FORM

CORRECTNESS: \_\_\_\_\_

Law Director

FINANCIAL IMPACT STATEMENT:

\_\_\_\_\_

\_\_\_\_\_

Director of Finance

APPROVED: \_\_\_\_\_

APPROVED AS AN  
EMERGENCY MEASURE: \_\_\_\_\_

MINUTE BOOK \_\_\_\_\_ PAGE \_\_\_\_\_

WHEREAS, the City of Knoxville (hereinafter sometimes referred to as the "City"), pursuant to a resolution entitled "A Resolution Providing for the Issuance of Electric System Revenue Bonds," being Resolution No. 1644 of the City Council adopted January 4, 1949 (which resolution as heretofore amended is hereinafter sometimes referred to as "1949 Resolution"), authorized an issue of Electric System Revenue Bonds; and

WHEREAS, pursuant to the 1949 Resolution, and for the purpose of financing the cost of the improvement, betterment and extension of the City's electrical power distribution system (hereinafter sometimes referred to as the "System") and the refinancing of indebtedness issued for that purpose, the City issued Electric System Revenue Bonds, the series of which, the amount issued, and the amount outstanding as of February 1, 2015, are as follows:

<u>Series</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
W-2005	\$38,710,000	\$31,350,000
X-2006	\$22,400,000	\$ 1,825,000
Y-2009	\$40,000,000	\$34,375,000
Z-2010	\$30,000,000	\$25,205,000
AA-2012	\$36,815,000	\$34,840,000
BB-2012	\$35,000,000	\$33,875,000
CC-2013	\$ 9,660,000	\$ 9,535,000
DD-2014	\$40,000,000	\$40,000,000

WHEREAS, it is desirable that an additional series of bonds be issued to refinance the outstanding principal amount of the City's outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 (the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the bonds, pursuant to the authority of 1949 Resolution and pursuant to the authority of this resolution; and

WHEREAS, the Board of Commissioners (the "Board") of the Knoxville Utilities Board ("KUB") has duly adopted a resolution requesting the City Council of the City to adopt this resolution authorizing the issuance of bonds for the purposes and in the manner hereinafter more fully stated; and

WHEREAS, the plan of refunding for the Refunded Bonds has been submitted to the State Director of State and Local Finance (the "State Director") as required by Section 9-21-903, Tennessee Code Annotated, as amended, and she has acknowledged receipt thereof to the City and KUB and submitted her report thereon to the City and KUB, and such report has been provided to members of the City Council of the City; and

WHEREAS, it is the intention of the City Council of the City to adopt this resolution for the purpose of authorizing not to exceed \$32,250,000 in aggregate principal amount of electric system revenue refunding bonds for the purposes described above, establishing the terms of such bonds, providing for the issuance, sale and payment of the bonds and disposition of proceeds therefrom, and collection of revenues from the System and the application thereof to the payment of principal of, premium, if any, and interest on said bonds.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Knoxville, Tennessee, as follows:

Section 1. Authority. The bonds authorized by this resolution are issued pursuant to Sections 7-34-101 et seq. and 9-21-101 et seq., Tennessee Code Annotated, and other applicable provisions of law.

Section 2. Definitions. Capitalized terms used herein and not defined in this Section 2 shall have the meanings ascribed to them in the 1949 Resolution (as hereinbelow defined). The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise.

- (a) "Board" shall mean the Board of Commissioners of the Knoxville Utilities Board;
- (b) "Bond Purchase Agreement" means a Bond Purchase Agreement, dated as of the sale of the Series EE-2015 Bonds, entered into by and between KUB and the Underwriter, in substantially the form of the document attached hereto as Exhibit A, subject to such changes as permitted by Section 10 hereof, as approved by the President and Chief Executive Officer of KUB, consistent with the terms of this resolution;
- (c) "Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical Bond certificates in fully registered form are issued to a Depository, or to its nominee as Registered Owner, with the certificated Bonds being held by and "immobilized" in the custody of such Depository, and under which records maintained by persons, other than the City, KUB or the Registration Agent, constitute the written record that identifies, and records the transfer of, the beneficial "book-entry" interests in those Bonds;
- (d) "City" shall mean the City of Knoxville, Tennessee;
- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder;
- (f) "Depository" means any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC;
- (g) "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;
- (h) "DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system;
- (i) "Governing Body" shall mean the City Council of the City;
- (j) "KUB" shall mean the Knoxville Utilities Board;
- (k) "1949 Resolution" shall mean Resolution No. 1644 of the Governing Body, adopted January 4, 1949, as amended and supplemented by Resolution No. 2171 adopted February 22, 1955; Resolution No. 3491 of the Governing Body, adopted February 21, 1967, Resolution R-317-90 of the Governing Body adopted October 30, 1990; Resolution No. R-469-92 of the Governing Body adopted October 13, 1992; Resolution No. R-472-93 of the Governing Body adopted October 26, 1993; Resolution No. R-95-95 of the Governing Body adopted February 28, 1995; Resolution No. R-422-98 of the Governing Body adopted October 20, 1998; Resolution No. R-64-01 of the Governing Body adopted February 20, 2001; Resolution No. R-148-01 of the Governing Body adopted January 20, 2001; Resolution No. R-480-01 of the Governing Body adopted October 30, 2001; Resolution No. R-59-04 of the Governing Body adopted January 2, 2004, Resolution No. R-261-05 of the Governing Body adopted July 5, 2005, Resolution No. R-78-06 of the Governing Body adopted February 28, 2006, Resolution No. R-251-08 of the Governing Body adopted July 29, 2008, Resolution No. R-332-2010 of the Governing

Body adopted November 2, 2010; Resolution No. R-335-2011 of the Governing Body adopted December 13, 2011, Resolution No. R-289-2012 of the Governing Body adopted October 16, 2012, Resolution No. R-321-2012 of the Governing Body adopted November 13, 2012 and Resolution No. R-213-2014 of the Governing Body adopted June 24, 2014 authorizing the issuance from time-to-time of series of revenue bonds of the City payable from revenues of the System on a parity with any bonds issued pursuant to its provisions;

(l) "Outstanding Bonds" shall mean the City's outstanding Electric System Revenue Refunding Bonds, Series W-2005, dated August 10, 2005, maturing July 1, 2015 and thereafter, the City's outstanding Electric Revenue Refunding and Improvement Bonds, Series X-2006, dated May 23, 2006, maturing July 1, 2015, the City's outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2015 and thereafter to the extent, if any, not refunded with the proceeds of the Series EE-2015 Bonds, the City's outstanding Electric System Revenue Bonds, Series Z-2010 (Federally Taxable Build America Bonds), dated December 8, 2010, maturing July 1, 2015 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series AA-2012, dated April 20, 2012, maturing July 1, 2015 and thereafter, the City's outstanding Electric System Revenue Bonds, Series BB-2012, maturing July 1, 2015 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series CC-2013, dated March 15, 2013, maturing July 1, 2015 and thereafter and the City's outstanding Electric System Revenue Bonds, Series DD-2014, dated September 18, 2014, maturing July 1, 2015 and thereafter;

(m) "Parity Bonds" shall mean any bonds issued on a parity with the Series EE-2015 Bonds and the Outstanding Bonds pursuant to the 1949 Resolution;

(n) "Refunded Bonds" shall mean those portions of the City's outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 that are selected for refunding pursuant to Section 10 hereof;

(o) "Refunding Escrow Agent" shall mean the refunding escrow agent under the Refunding Escrow Agreement as shall be designated by the President and Chief Executive Officer of KUB, or any successor thereunder pursuant to the terms thereof;

(p) "Refunding Escrow Agreement" shall mean the Refunding Escrow Agreement, dated as of the date of the Series EE-2015 Bonds to be entered into by and between KUB and the Refunding Escrow Agent in substantially the form attached hereto as Exhibit B, subject to such changes therein as shall be permitted by Section 13 hereof;

(q) "Registration Agent" shall mean the registration and paying agent for the Series EE-2015 Bonds designated by the President and Chief Executive Officer of KUB, or any successor as designated by the Board;

(r) "Series EE-2015 Bonds" shall mean the City's Electric System Revenue Refunding Bonds, Series EE-2015, dated the date of their issuance or such other date as shall be determined by the Board pursuant to Section 10 hereof, authorized to be issued by the 1949 Resolution and this resolution in an aggregate principal amount not to exceed \$32,250,000;

(s) "State" shall mean the State of Tennessee; and

(t) "Underwriter" shall mean an investment banking firm qualified to underwrite bonds such as the Series EE-2015 Bonds in the State of Tennessee selected by the President and Chief Executive Officer of KUB.

Section 3. Declarations. It is hereby determined that all requirements of the 1949 Resolution have been or will have been met upon the issuance of the Series EE-2015 Bonds so that the Series EE-2015 Bonds will be issued as Parity Bonds.

Section 4. Findings of the Governing Body. It is hereby found and determined by the Governing Body as follows:

(a) The refunding of the Refunded Bonds as set forth herein through the issuance of the Series EE-2015 Bonds will result in a reduction in debt service payable by the City and KUB over the term of the Refunded Bonds, thereby effecting a cost savings to the System; and

(b) It is advantageous to the City and KUB to deposit a portion of the proceeds from the sale of the Series EE-2015 Bonds and other funds of KUB, if any, with the Refunding Escrow Agent pursuant to the Refunding Escrow Agreement which, together with investment income thereon, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Bonds, provided, that KUB may dispense with the use of a Refunding Escrow Agreement to the extent permitted by Section 13 hereof.

Section 5. Authorization and Terms of the Series EE-2015 Bonds. (a) For the purpose of providing funds for the payment of principal of and premium and interest on the Refunded Bonds to the earliest practicable optional redemption date thereof, including the payment of legal, fiscal and administrative costs incident thereto and incident to the issuance and sale of the Series EE-2015 Bonds as more fully set out in Section 10 hereof, there are hereby authorized to be issued revenue bonds of the City in the aggregate principal amount of not to exceed \$32,250,000. The Series EE-2015 Bonds shall be issued in fully registered form, without coupons, shall be known as "Electric System Revenue Refunding Bonds, Series EE-2015" and shall be dated the date of their issuance or such other date as shall be determined by the Board or the President and Chief Executive Officer of KUB as its designee pursuant to Section 10 hereof. The Series EE-2015 Bonds shall bear interest at a rate or rates not to exceed five percent (5.00%) per annum, payable semi-annually on January 1 and July 1 in each year, commencing July 1, 2015 or such later date as is permitted pursuant to Section 10 hereof. The Series EE-2015 Bonds shall be initially issued in \$5,000 denominations or integral multiples thereof as shall be requested by the purchaser thereof. The Series EE-2015 Bonds shall mature and be payable either serially or through mandatory redemption on each July 1 in such years as is established by the Board or the President and Chief Executive Officer of KUB as its designee pursuant to Section 10, provided that the final maturity date shall not be later than July 1, 2029, and the Series EE-2015 Bonds shall not have an average weighted maturity in excess of the average weighted maturity of the Refunded Bonds. The final maturity schedule shall be established by the award resolution or certificate awarding the Series EE-2015 Bonds to the successful purchaser thereof or in the Bond Purchase Agreement provided for in Section 10 if the Series EE-2015 Bonds are sold by negotiated sale.

(b) Subject to adjustment pursuant to Section 10 hereof, the Series EE-2015 Bonds maturing on or before July 1, 2025 shall mature without option of prior redemption. Series EE-2015 Bonds maturing on July 1, 2026 and thereafter shall be subject to redemption prior to maturity at the option of the City, acting through the Board, on or after July 1, 2025, as a whole or in part at any time at a redemption price equal to the principal amount plus interest accrued to the redemption date.

If less than all the Series EE-2015 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its discretion. If less than all the Series EE-2015 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 EE-2015 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Series EE-2015

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 EE-2015 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series EE-2015 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.

(c) Pursuant to Section 10 hereof, KUB is authorized to sell the Series EE-2015 Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as determined by KUB. In the event any or all the Series EE-2015 Bonds are sold as term bonds, KUB shall redeem term bonds on redemption dates corresponding to the maturity dates set forth in the award resolution or certificate awarding the Series EE-2015 Bonds, in amounts so as to achieve an amortization of the indebtedness approved by the Board or the President and Chief Executive Officer of KUB as its designee. DTC, as Depository for the Series EE-2015 Bonds, or any successor Depository for the Series EE-2015 Bonds, shall determine the interest of each Participant in the Series EE-2015 Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as Depository for the Series EE-2015 Bonds, the Series EE-2015 Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, KUB may (i) deliver to the Registration Agent for cancellation Series EE-2015 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series EE-2015 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 Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series EE-2015 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of KUB on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series EE-2015 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. KUB shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration 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.

(d) Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent 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 EE-2015 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the 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 EE-2015 Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Series EE-2015 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series EE-2015 Bonds, as and when above provided, and neither KUB, the City, nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial

Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices, in the case of term bonds with mandatory redemption requirements as and when provided herein and in the Series EE-2015 Bonds and, in the case of optional redemption, as and when directed by the Board pursuant to written instructions from an authorized representative of the Board given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Series EE-2015 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City or KUB to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

(e) The Series EE-2015 Bonds shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf, of the City with the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

(f) The City hereby authorizes and directs the Board to appoint a Registration Agent and paying agent for the Series EE-2015 Bonds, and the Registration Agent so appointed is authorized and directed to maintain Bond registration records with respect to the Series EE-2015 Bonds, to authenticate and deliver the Series EE-2015 Bonds as provided herein, either at original issuance, upon transfer, or as otherwise directed by the Board, to effect transfers of the Series EE-2015 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series EE-2015 Bonds as provided herein, to cancel and destroy Series EE-2015 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish KUB at least annually a certificate of destruction with respect to Series EE-2015 Bonds canceled and destroyed, and to furnish KUB at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Series EE-2015 Bonds. The payment of all reasonable fees and expenses of the Registration Agent for the discharge of its duties and obligations hereunder or under any such agreement is hereby authorized and directed. The Board hereby delegates to the President and Chief Executive Officer of KUB the authority to select and appoint the Registration Agent and any paying agents for the Series EE-2015 Bonds and to select and appoint the Refunding Escrow Agent (as well as any successors to any of the foregoing). The Chair of the Board is hereby authorized to execute and the Secretary of the Board is hereby authorized to attest such written agreement between KUB and the Registration Agent as they shall deem necessary or proper with respect to the obligations, duties and rights of the Registration Agent.

(g) The Series EE-2015 Bonds shall be payable, principal and interest, in lawful money of the United States of America at the principal corporate trust office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Bonds on each interest payment date directly to the registered owners as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Series EE-2015 Bonds, and all such payments shall discharge the obligations of KUB in respect of such Series EE-2015 Bonds to the extent of the payments so made. Payment of principal of the Series EE-2015 Bonds shall be made upon presentation and surrender of such Series EE-2015 Bonds to the Registration Agent as the same shall become due and payable. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each. In the event the Series EE-2015 Bonds are no longer registered in the name of DTC, or a successor Depository, if requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Series EE-2015 Bonds, payment of interest on such Series EE-2015 Bonds shall be paid by

wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

(h) Any interest on any Series EE-2015 Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid to the persons in whose names the Series EE-2015 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: KUB shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series EE-2015 Bond and the date of the proposed payment, and at the same time KUB shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify KUB of such Special Record Date and, in the name and at the expense of KUB, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in the Series EE-2015 Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of KUB to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Series EE-2015 Bonds when due.

(i) The Series EE-2015 Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Series EE-2015 Bond(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Series EE-2015 Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series EE-2015 Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Series EE-2015 Bond or Series EE-2015 Bonds to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Series EE-2015 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series EE-2015 Bond, nor to transfer or exchange any Series EE-2015 Bond after notice calling such Series EE-2015 Bond for redemption has been made, nor to transfer or exchange any Series EE-2015 Bond during the period following the receipt of instructions from KUB to call such Series EE-2015 Bond for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Series EE-2015 Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Series EE-2015 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither KUB nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Series EE-2015 Bonds shall be overdue. Series EE-2015 Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Series EE-2015 Bonds of the same maturity in any authorized denomination or denominations. This subsection shall be applicable only if the Series EE-2015 Bonds are no longer held by a Depository, and as long as the Series EE-2015

Bonds are held by a Depository, transfers of ownership interests in the Series EE-2015 Bonds shall be governed by the rules of the Depository.

(j) Except as otherwise authorized herein, the Series EE-2015 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as the Depository for the Series EE-2015 Bonds except as otherwise provided herein. References in this Section to a Series EE-2015 Bond or the Series EE-2015 Bonds shall be construed to mean the Series EE-2015 Bond or the Series EE-2015 Bonds that are held under the Book-Entry System. One Series EE-2015 Bond for each maturity of the Series EE-2015 Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. The Bond Registrar is a custodian and agent for DTC, and the Bond will be immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series EE-2015 Bonds in authorized denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Series EE-2015 Bonds. Beneficial ownership interests in the Series EE-2015 Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive the Series EE-2015 Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Series EE-2015 Bonds. Transfers of ownership interests in the Series EE-2015 Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES EE-2015 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE SERIES EE-2015 BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES EE-2015 BONDS, RECEIPT OF NOTICES, VOTING AND TAKING OR NOT TAKING, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Series EE-2015 Bonds, so long as DTC is the only owner of the Series EE-2015 Bonds, shall be paid by the Registration Agent directly to DTC or its nominee, Cede & Co. as provided in the Letter of Representation relating to the Series EE-2015 Bonds from the City, acting by and through KUB, and the Registration Agent to DTC (the "Letter of Representation"). DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. Neither the City, KUB nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as Depository for the Series EE-2015 Bonds or (2) to the extent permitted by the rules of DTC, the Board determines to discontinue the Book-Entry System, the Book-Entry System with DTC shall be discontinued. If the Board fails to identify another qualified securities depository to replace DTC, the Board shall cause the Registration Agent to authenticate and deliver replacement Series EE-2015 Bonds in the form of fully registered Series EE-2015 Bonds to each Beneficial Owner.

NEITHER THE CITY, KUB NOR THE REGISTRATION AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE SERIES EE-2015 BONDS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN

RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES EE-2015 BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS, (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES EE-2015 BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

If the purchaser or Underwriter certifies that it intends to hold the Series EE-2015 Bonds for its own account, then the City may issue certificated Bonds without the utilization of DTC and the Book-Entry System.

(k) In case any Series EE-2015 Bond shall become mutilated, or be lost, stolen, or destroyed, the City, acting by and through KUB, in its discretion, shall issue, and the Registration Agent, upon written direction from KUB, shall authenticate and deliver, a new Series EE-2015 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series EE-2015 Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series EE-2015 Bond, or if any such Series EE-2015 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series EE-2015 Bond KUB may pay or authorize payment of such Series EE-2015 Bond without surrender thereof. In every case the applicant shall furnish evidence satisfactory to KUB and the Registration Agent of the destruction, theft or loss of such Series EE-2015 Bond, and indemnity satisfactory to KUB and the Registration Agent; and KUB may charge the applicant for the issue of such new Series EE-2015 Bond an amount sufficient to reimburse KUB for the expense incurred by it in the issue thereof.

(l) The Registration Agent is hereby authorized to authenticate and deliver the Series EE-2015 Bonds to DTC, on behalf of the initial purchaser thereof, or an agent of DTC, upon receipt by KUB of the proceeds of the sale thereof, subject to the rules of the depository, and to authenticate and deliver Series EE-2015 Bonds in exchange for Series EE-2015 Bonds of the same principal amount delivered for transfer upon receipt of the Series EE-2015 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series EE-2015 Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an authorized representative thereof on the certificate set forth herein on the Series EE-2015 Bond form.

(m) The Registration Agent is hereby authorized to take such action as may be necessary from time to time to qualify and maintain the Series EE-2015 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series EE-2015 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series EE-2015 Bonds and provision of notices with respect to Series EE-2015 Bonds registered by 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 Beneficial Owners of the Series EE-2015 Bonds, provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this section.

Section 6. Source of Payment. The Series EE-2015 Bonds shall be payable solely from and be secured by a pledge of the Net Revenues of the System as hereinafter provided and as provided in the 1949 Resolution on a parity and equality of lien with the Outstanding Bonds. The punctual payment of principal of and interest on the Series EE-2015 Bonds, the Outstanding Bonds and any Parity Bonds shall be secured equally and ratably by the Net Revenues of the System, without priority by reason of series, number or time of sale and delivery. The owners of the Series EE-2015 Bonds shall have no recourse to the power of taxation of the City.

Section 7. Form of Series EE-2015 Bonds. The Series EE-2015 Bonds shall be in substantially the following form, the omissions to be appropriately completed when the Series EE-2015 Bonds are prepared and delivered:

(Form of Series EE-2015 Bond)

REGISTERED  
Number \_\_\_\_\_

REGISTERED  
\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF TENNESSEE  
COUNTY OF KNOX  
CITY OF KNOXVILLE  
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES EE-2015

Interest Rate:                      Maturity Date:                      Date of Bond:                      CUSIP No.:

Registered Owner:  
Principal Amount:

KNOW ALL PERSONS BY THESE PRESENTS: That the City of Knoxville, a municipal corporation lawfully organized and existing in Knox County, Tennessee (the "City"), acting by and through the Knoxville Utilities Board ("KUB"), for value received hereby promises to pay to the registered owner hereof, hereinabove named, or registered assigns, in the manner hereinafter provided, the principal amount hereinabove set forth on the maturity date hereinabove set forth, or upon earlier redemption, as set forth herein, and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on said principal amount at the annual rate of interest hereinabove set forth from the date hereof until said maturity date or redemption date, said interest being payable on July 1, 2015, and semi-annually thereafter on the first day of January and July in each year until this Bond matures or is redeemed. Both principal hereof and interest hereon are payable in lawful money of the United States of America by check or draft at the designated corporate trust office of \_\_\_\_\_, \_\_\_\_\_, Tennessee, as registration agent and paying agent (the "Registration Agent"). The Registration Agent shall make all interest payments with respect to this Bond by check or draft on each interest payment date directly to the registered owner hereof shown on the bond registration records maintained by the Registration Agent as of the close of business on the day which is the fifteenth (15th) day of the month next preceding the interest payment date (the "Regular Record Date") by depositing said payment in the United States mail, postage prepaid, addressed to such owner at such owner's address shown on said bond registration records, without, except for final payment, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the City and KUB to the extent of the payments so made. Any such interest not so punctually paid or duly provided for on any interest payment date shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such defaulted interest shall be payable to the person in whose name this Bond is registered at the close of business on the date (the "Special Record Date") for payment of such defaulted interest to be fixed by the Registration Agent, notice of which shall be given to the owners of the Bonds of the issue of which this Bond is one not less than ten (10) days prior to such Special Record Date. Payment of principal of and premium, if any, on the Bonds shall be made when due upon presentation and surrender of this Bond to the Registration Agent.

Except as otherwise provided herein or in the Resolution, as hereinafter defined, this Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New

York ("DTC"), which will act as securities depository for the Bonds of the series of which this Bond is one. One Bond for each maturity of the Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. The Bond Registrar is a custodian and agent for DTC, and the Bond will be immobilized in its custody. A book-entry system (the "Book-Entry System") shall be employed, evidencing ownership of the Bonds in \$5,000 denominations, or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants, as defined in the Resolution, pursuant to rules and procedures established by DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the City, KUB and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Resolution, including receipt of all principal of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or taking or not taking, or consenting to, certain actions hereunder. Payments of principal, maturity amounts, interest, and redemption premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners, as defined in the Resolution. Neither the City, KUB, nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants. In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) to the extent permitted by the rules of DTC, the Board determines to discontinue the Book-Entry System, the Book-Entry System with DTC shall be discontinued. If the Board fails to identify another qualified securities depository to replace DTC, the Board shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the City, KUB nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or maturity amounts of and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Beneficial Owners, (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

The Bonds of the issue of which this Bond is one maturing on or before July 1, 2025 shall mature without option of prior redemption. The Bonds maturing on July 1, 2026 and thereafter shall be subject to redemption prior to maturity at the option of the City, acting through the Board, on or after July 1, 2025, as a whole or in part at any time at a redemption price equal to the principal amount plus interest accrued to the redemption date.

[If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its discretion. If less than all of the 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 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the 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 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the 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.]

[Subject to the credit hereinafter provided, the City acting by and through KUB, shall redeem Bonds maturing on the redemption dates set forth below opposite such maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Bond is one, or any successor Depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds to be Redeemed</u>
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\*final maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the City, acting through KUB, may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive credit in respect of its redemption obligation under the mandatory redemption provision for any Bonds to be redeemed which prior to said date have been purchased or redeemed (otherwise than by mandatory redemption) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under the mandatory redemption provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of KUB on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of the Bonds to be redeemed by operation of the mandatory redemption provision shall be accordingly reduced. KUB shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph 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.

Notice of call for redemption, whether optional or mandatory shall be given by the Registration Agent on behalf of the City, but only upon direction of the Board, not fewer 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 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the 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 the redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly given as set forth in the Resolution, as hereafter defined. In the case of a Conditional Redemption, the failure of the City or KUB to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.]

The Bonds of the issue of which this Bond is one are issuable only as fully registered Bonds, without coupons, in the denomination of Five Thousand Dollars (\$5,000) or any authorized integral multiple thereof. At the designated corporate trust office of the Registration Agent, in the manner and subject to the limitations, conditions and charges provided in the Resolution, fully registered Bonds may be exchanged for an equal aggregate principal amount of fully registered Bonds of the same maturity, of authorized denominations, and bearing interest at the same rate. The Bonds shall be numbered consecutively from one upwards and will be made eligible for the Book-Entry System of DTC. Except as otherwise provided in this paragraph and the Resolution, as hereinafter defined, the Bonds shall be registered in the name of Cede & Co. as nominee of DTC. The Board may discontinue use of DTC for Bonds at any time upon determination by the Board that the use of DTC is no longer in the best interest of the beneficial owners of the Bonds. Upon such determination, registered ownership of the Bonds may be transferred on the registration books maintained by the Registration Agent, and the Bonds may be delivered in physical form to the following:

- i. any successor of DTC or its nominee;
- ii. any substitute depository to which the Registration Agent does not unreasonably object, upon (a) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the Board that DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; or
- iii. any person, upon (a) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, or (b) termination by the Board of the use of DTC (or substitute depository or its successor).

In the event that this Bond is no longer held in a Book-Entry System by DTC, this Bond shall be transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denomination or denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the City, KUB nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Board to call such Bond for redemption.

This Bond is one of a total authorized issue aggregating \$32,250,000 and issued by the City for the purpose of providing funds to refinance the outstanding principal amount of the City's outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 (the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and costs incident to the issuance of the Bonds, under and in full compliance with the Constitution and statutes of the State of Tennessee, including Sections 7-34-101 et seq. and Section 9-21-101 et seq., Tennessee Code Annotated, and pursuant to Resolution No. 1644 duly

adopted by the City Council of the City on January 4, 1949, as supplemented and amended by Resolution No. 2171 duly adopted by the City Council of the City on February 22, 1955, Resolution No. 3491 duly adopted by the City Council of the City on February 21, 1967, Resolution No. R-317-90 duly adopted by the City Council of the City on October 30, 1990, Resolution No. R-469-92 duly adopted by the City Council of the City on October 13, 1992, Resolution No. R-472-93 duly adopted by the City Council of the City on October 26, 1993, Resolution No. R-95-95 duly adopted by the City Council of the City on February 28, 1995, Resolution No. R-422-98 duly adopted by the City Council of the City on October 20, 1998, Resolution No. R-64-01 duly adopted by the City Council of the City on February 20, 2001, Resolution No. R-149-01 duly adopted by the City Council of the City on March 20, 2001, Resolution No. R-480-01 duly adopted by the City Council of the City on October 30, 2001, Resolution No. R-59-04 duly adopted by the City Council of the City on March 2, 2004, Resolution No. R-261-05 duly adopted by the City Council on July 5, 2005, Resolution No. R-78-06 duly adopted by the City Council on February 28, 2006, Resolution No. R-251-08 duly adopted by the City Council of the City on July 29, 2008, Resolution No. R-332-2010 duly adopted by the City Council of the City on November 2, 2010, Resolution No. R-335-2011 of the governing Body adopted December 13, 2011, Resolution No. R-289-2012 duly adopted by the City Council of the City on October 16, 2012, Resolution No. R-321-2012 adopted by the City Council of the city on November 13, 2012, Resolution No. R-213-2014 adopted by the City Council of the City on June 24, 2014 and Resolution No. R-\_\_\_\_-\_\_\_\_ adopted by the City Council of the City on \_\_\_\_\_, 2015 (as supplemented and amended, the "Resolution").

This Bond, and interest hereon, are payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the electrical power distribution system of the City (the "System"), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring the System. The Bonds of the series of which this Bond is one shall enjoy complete parity and equality of lien with the City's outstanding Electric System Revenue Refunding Bonds, Series W-2005, dated August 10, 2005, maturing July 1, 2015 and thereafter, the City's outstanding Electric Revenue Refunding and Improvement Bonds, Series X-2006, dated May 23, 2006, maturing July 1, 2015, the City's outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2015 and thereafter to the extent not refunded with the proceeds of the Bonds, the City's outstanding Electric System Revenue Bonds, Series Z-2010 (Federally Taxable Build America Bonds), dated December 8, 2010, maturing July 1, 2015 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series AA-2012, dated April 20, 2012, maturing July 1, 2015 and thereafter, the City's outstanding Electric System Revenue Bonds, Series BB-2012, dated December 18, 2012, maturing July 1, 2015 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series CC-2013, dated March 15, 2013, maturing July 1, 2015 and thereafter and the City's outstanding Electric System Revenue Bonds, Series DD-2014, dated September 18, 2014, maturing July 1, 2015 and thereafter (collectively, the "Outstanding Bonds"). As provided in the Resolution, the punctual payment of principal of, premium, if any, and interest on the series of Bonds of which this Bond is one, the Outstanding Bonds, and any other bonds issued on a parity therewith pursuant to the terms of the Resolution shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. The owner of this Bond shall have no recourse to the power of taxation of the City. The Board has covenanted that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond and the issue of which it is a part, as each payment becomes due. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

Under existing law, this Bond and the income therefrom are exempt from all present state, county and municipal taxation in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on this Bond during the period such Bond is held or beneficially

owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of this Bond in the Tennessee franchise tax base or any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is hereby certified, recited, and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of either the City or KUB, does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

IN WITNESS WHEREOF, the City acting by and through the Board has caused this Bond to be signed by the Chair of the Board by her manual or facsimile signature and attested by the Secretary of the Board by his manual or facsimile signature, all as of the date hereinabove set forth.

CITY OF KNOXVILLE  
by and through the  
KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
Chair

ATTESTED:

\_\_\_\_\_  
Secretary

Transferable and payable at the  
designated corporate trust office of: \_\_\_\_\_  
\_\_\_\_\_, Tennessee

Date of Registration: \_\_\_\_\_

This Bond is one of the issue of Bonds issued pursuant to the Resolution hereinabove described.

\_\_\_\_\_  
Registration Agent

By: \_\_\_\_\_  
Authorized Representative

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto \_\_\_\_\_, [Please insert Federal Tax Identification Number or Social Security Number of Assignee \_\_\_\_\_] whose address is \_\_\_\_\_, the within bond of the City of Knoxville, Tennessee, and does hereby irrevocably constitute and appoint \_\_\_\_\_, \_\_\_\_\_,

Tennessee, attorney, to transfer the said bond on the records kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

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

Signature guaranteed:

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

Section 8. Equality of Lien; Pledge of Net Revenues. The punctual payment of principal of, premium, if any, and interest on the Series EE-2015 Bonds, the Outstanding Bonds and any Parity Bonds shall be secured equally and ratably by the Net Revenues of the System without priority by reason of series, number or time of sale or execution or delivery, and the Net Revenues of the System are hereby irrevocably pledged to the punctual payment of such principal, premium and interest as the same become due.

Section 9. Applicability of the 1949 Resolution. The Series EE-2015 Bonds are issued in compliance with the 1949 Resolution so as to be on a parity with the Outstanding Bonds, and, when duly delivered, the Series EE-2015 Bonds shall constitute a series of bonds issued under the authority of the 1949 Resolution. All recitals, provisions, covenants and agreements contained in the 1949 Resolution, as supplemented and amended herein (except insofar as any of said recitals, provisions, covenants and agreements necessarily relate exclusively to any series of the Outstanding Bonds) are hereby ratified and confirmed and incorporated herein by reference and, for so long as any of the Series EE-2015 Bonds shall be outstanding and unpaid either as to principal or interest, or until discharge and satisfaction of the Series EE-2015 Bonds as provided in Section 12 hereof, shall be applicable to the Series EE-2015 Bonds, shall inure to the benefit of owners of the Series EE-2015 Bonds as if set out in full herein, and shall be fully enforceable by the owner of any Series EE-2015 Bond.

All references to "holder" or "holders" in the 1949 Resolution shall be deemed to include owners of the Series EE-2015 Bonds, and all references to "Bonds" in the 1949 Resolution shall be deemed to include the Series EE-2015 Bonds.

Section 10. Sale of Series EE-2015 Bonds.

(a) The Series EE-2015 Bonds or any emission thereof may be sold at negotiated sale to the Underwriter or at public sale as determined by the President and Chief Executive Officer of KUB at a price of not less than 98.00% of par, exclusive of original issue discount, plus accrued interest, if any, provided, however, that no emission of Series EE-2015 Bonds may be sold at negotiated sale unless the Audit and Finance Committee of the Board has previously approved the sale of such emission at negotiated sale. The sale of any emission of the Series EE-2015 Bonds to the Underwriter or by public sale shall be binding on the City and KUB, and no further action of the Board with respect thereto shall be required.

(b) The President and Chief Executive Officer of KUB, as the designee of the Board, is further authorized with respect to each emission of Series EE-2015 Bonds to:

- (1) change the dated date to a date other than the date of issuance;
- (2) specify the series designation or change the designation of the Series EE-2015 Bonds to a designation other than "Electric System Revenue Refunding Bonds";
- (3) change the first interest payment date to a date other than July 1, 2015, provided that such date is not later than twelve months from the dated date of such emission of Series EE-2015 Bonds;
- (4) adjust the principal and interest payment dates and determine maturity or mandatory redemption amounts of the Series EE-2015 Bonds or any emission thereof, provided that (A) the total principal amount of all emissions of the Series EE-2015 Bonds does not exceed the total amount of Series EE-2015 Bonds authorized herein; (B) the final maturity date of each emission shall be not later than July 1, 2029; and (C) the debt service schedule is substantially the same as what was presented to the State Director in connection with requesting a report on the refunding;
- (5) modify or remove the optional redemption provisions contained herein, provided that the premium amount to be paid in connection with any redemption provision shall not exceed two percent (2%) of the principal amount thereof;
- (6) sell the Series EE-2015 Bonds, or any emission thereof, or any maturities thereof as term bonds with mandatory redemption requirements as determined by the Board, as it shall deem most advantageous to KUB; and
- (7) cause all or a portion of the Series EE-2015 Bonds to be insured by a bond insurance policy issued by a nationally recognized bond insurance company to achieve the purposes set forth herein and to serve the best interests of KUB and to enter into agreements with such insurance company to the extent not inconsistent with this Resolution.

(c) If any emission of Series EE-2015 Bonds is sold at negotiated sale, the President and Chief Executive Officer of KUB is authorized to execute a Bond Purchase Agreement with respect to such emission of Series EE-2015 Bonds, providing for the purchase and sale of the Series EE-2015 Bonds, or any emission thereof. Each Bond Purchase Agreement shall be in substantially the form attached hereto as Exhibit A, with such changes as the President and Chief Executive Officer deems necessary or advisable in connection with the sale of such Series EE-2015 Bonds, provided any such changes are not inconsistent with the terms of this Section. If the Underwriter does not intend to reoffer the Series EE-2015 Bonds to the public, then the Bond Purchase Agreement shall be conformed to reflect such intention. The form of the Series EE-2015 Bond set forth in Section 7 hereof shall be conformed to reflect any changes made pursuant to this Section 10.

(d) The President and Chief Executive Officer and the Chief Financial Officer of KUB, or either of them, are authorized to cause the Series EE-2015 Bonds, in book-entry form (except as otherwise authorized herein), to be authenticated and delivered by the Registration Agent to the purchaser(s), and to execute, publish, and deliver all certificates and documents, including an official statement, the Bond Purchase Agreement and closing certificates, as they shall deem necessary in connection with the sale and delivery of each emission of the Bonds.

(e) If the Series EE-2015 Bonds are sold at public sale, the Series EE-2015 Bonds shall be awarded by the President and Chief Executive Officer of KUB to the bidder that offers to purchase the Bonds for the lowest true interest cost to KUB.

Section 11. Disposition of Series EE-2015 Bond Proceeds. The proceeds of the sale of the Series EE-2015 Bonds shall be paid to KUB and used and applied by KUB as follows:

(a) All accrued interest, if any, shall be deposited to the Debt Service Fund created under the 1949 Resolution and used to pay interest on the Series EE-2015 Bonds on the first interest payment date following delivery of the Series EE-2015 Bonds;

(b) An amount, which together with investment earnings thereon and legally available funds of KUB, if any, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Bonds (subject to adjustments permitted by Section 10 above), shall be transferred to the Refunding Escrow Agent under the Refunding Escrow Agreement to be deposited to the Escrow Fund established thereunder to be held and applied as provided therein; and

(c) The remainder shall be applied to the payment of costs of issuance relating to the Series EE-2015 Bonds. If there are any remaining proceeds of the Series EE-2015 Bonds after application as provided above, such remaining proceeds shall be used to pay principal and/or interest on the Series EE-2015 Bonds.

Section 12. Discharge and Satisfaction of Series EE-2015 Bonds. If KUB, on behalf of the City, shall pay and discharge the indebtedness evidenced by any of the Series EE-2015 Bonds or Parity Bonds (referred to hereinafter, collectively, in this Section as the "Bonds") in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any financial institution which has trust powers and which is regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency ("an Agent"; which Agent may be the Registration Agent), in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if KUB, on behalf of the City, shall also pay or cause to be paid all other sums payable hereunder by KUB or the City with respect to such Bonds or make adequate provision therefor, and by resolution of the Board instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, liens, pledges, agreements and obligations entered into, created, or imposed hereunder, including the pledge of and lien on the Net Revenues of the System set forth herein, shall be fully discharged and satisfied with respect to such Bonds and the owners thereof and shall thereupon cease, terminate and become void.

If KUB, on behalf of the City, shall pay and discharge or cause to be paid and discharged the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to KUB as received by the Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments, to the extent not needed for the payment of such principal, premium and interest, shall be paid over to KUB, as received by the Agent. For the purposes of this Section, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in this Section, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

No redemption privilege shall be exercised with respect to the Series EE-2015 Bonds or any Parity Bonds except at the option and election of the Board. The right of redemption set forth herein shall not be exercised by any Registration Agent or Agent unless expressly so directed in writing by an authorized representative of the Board.

Section 13. Refunding Escrow Agreement. For the purpose of providing for the payment of the principal of, premium, if any, and interest on the Refunded Bonds, the President and Chief Executive Officer of KUB is hereby authorized and directed to execute and the Secretary of the Board to attest on behalf of KUB a Refunding Escrow Agreement with the Refunding Escrow Agent and to deposit with the Refunding Escrow Agent the amounts to be used by the Refunding Escrow Agent to purchase Defeasance Obligations as provided therein; provided, however, that the yield on such investments shall be determined in such manner that none of the Series EE-2015 Bonds will be an "arbitrage bond" within the meaning of Section 148 (a) of the Code. The President and Chief Executive Officer of KUB and the Secretary of the Board are hereby authorized and directed to execute and deliver the Refunding Escrow Agreement on behalf of KUB in such form as is approved by the President and Chief Executive Officer of KUB and the Secretary of the Board, their execution thereof to constitute conclusive evidence of their approval of such form of the Refunding Escrow Agreement. The Refunding 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 interest on the Refunded Bonds and to exercise such duties as set forth in the Refunding Escrow Agreement.

Section 14. Notice of Refunding. Prior to the issuance of the Series EE-2015 Bonds, notice of the City's intention to refund the Refunded Bonds, to the extent required by applicable law, shall be given by the registration agent for the Refunded Bonds to be mailed by first-class mail, postage prepaid, to the registered holders thereof, as of the date of the notice, as shown on the bond registration records maintained by such registration agent of said Refunded Bonds. The President and Chief Executive Officer of KUB and the Secretary of the Board, or either of them, is hereby authorized and directed to

authorize the registration agent of said Refunded Bonds to give such notice on behalf of the City in accordance with this Section.

Section 15. Federal Tax Matters. The City and KUB recognize that the purchasers and owners of the Series EE-2015 Bonds will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon will not be included in gross income for purposes of federal income taxation under laws in force on the date of delivery of the Series EE-2015 Bonds. In this connection, KUB, on behalf of the City, agrees that it shall take no action which may render the interest on any of the Series EE-2015 Bonds includable in gross income for purposes of federal income taxation. It is the reasonable expectation of the City and KUB that the proceeds of the Series EE-2015 Bonds will not be used in a manner which will cause the Series EE-2015 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Series EE-2015 Bonds and other related funds established for the purposes herein set out, shall be used and spent expeditiously for the purposes described herein. In the event Section 148(f) of the Code shall require the payment of any investment proceeds of the Series EE-2015 Bonds to the United States government, KUB 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 Series EE-2015 Bonds from becoming taxable. The Chair of the Board, the Secretary of the Board, the President and Chief Executive Officer of KUB and Chief Financial Officer of KUB, or any of them, are authorized and directed to make such certifications in this regard in connection with the sale of the Bonds as any or all shall deem appropriate, and such certifications shall constitute a representation and certification of the City and KUB.

Section 16. Official Statement. The President and Chief Executive Officer of KUB, or her designee, is hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement describing the Series EE-2015 Bonds. After the Series EE-2015 Bonds have been awarded, the President and Chief Executive Officer of KUB, or her designee, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The President and Chief Executive Officer of KUB, or her designee, shall arrange for the delivery to the purchaser of the Series EE-2015 Bonds of a reasonable number of copies of the Official Statement within seven business days after the Series EE-2015 Bonds have been awarded for delivery, by the purchaser of the Series EE-2015 Bonds, to each potential investor requesting a copy of the Official Statement and to each person to whom such purchaser and members of his group initially sell the Series EE-2015 Bonds.

The President and Chief Executive Officer of KUB, or her designee is authorized, on behalf of the Board, 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 Board except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 17. Continuing Disclosure. The City hereby covenants and agrees that KUB will provide annual financial information and material event notices for the Series EE-2015 Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. The Chief Financial Officer of KUB is authorized to execute at the closing of the sale of the Series EE-2015 Bonds, an agreement for the benefit of and enforceable by the owners of the Series EE-2015 Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of KUB 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 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause KUB to comply with its

undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

Section 18. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 19. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflict, hereby repealed and this resolution shall be in immediate effect from and after its adoption.

Adopted and approved this \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Recorder

STATE OF TENNESSEE     )  
  )  
COUNTY OF KNOX        )

I, Cindy A. Mitchell, hereby certify that I am the duly qualified and acting City Recorder of the City of Knoxville, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a regular meeting of the governing body of the City Council held on Tuesday, \_\_\_\_\_, 2015; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original records relate to an amount not to exceed \$32,250,000 Electric System Revenue Refunding Bonds, Series EE-2015.

WITNESS my official signature and seal of the City of Knoxville, Tennessee, this \_\_\_\_ day of \_\_\_\_\_, 2015.

(seal)

\_\_\_\_\_  
City Recorder

**EXHIBIT A**

**\$32,250,000**  
**CITY OF KNOXVILLE, TENNESSEE**  
**ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD**  
**ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES EE-2015**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 201\_\_

Knoxville Utilities Board  
445 South Gay Street  
Knoxville, Tennessee 37902

Gentlemen:

The undersigned (the "Underwriter") offers to enter into this agreement with Knoxville Utilities Board ("KUB") which, upon your acceptance of this offer, will be binding upon you and upon us.

This offer is made subject to your acceptance of this agreement on or before 5:00 p.m., Eastern Standard Time, on \_\_\_\_\_, 201\_\_.

1. Purchase Price.

Upon the terms and conditions and upon the basis of the respective representations, warranties and covenants set forth herein, the Underwriter hereby agrees to purchase from KUB, and KUB hereby agrees to sell to the Underwriter, all (but not less than all) of \$32,250,000 aggregate principal amount of KUB's Electric System Revenue Refunding Bonds, Series EE-2015 (the "Bonds"). The purchase price is \$\_\_\_\_\_ plus accrued interest and shall be paid in accordance with paragraph 6 hereof. The purchase price is equal to the par amount of the Bonds less \$\_\_\_\_\_ original issue discount, less \$\_\_\_\_\_ underwriter's discount and plus accrued interest. The Bonds are to be issued under and pursuant to, and are to be secured by the Resolution (collectively, the "Bond Resolution") adopted on \_\_\_\_\_, 2015, by the City Council of the City of Knoxville (the "City") at the request of KUB. The Bonds shall mature on the dates and shall bear interest at the rates all as described in the Official Statement referred to in Section 3 hereof. The maturities, rates and discount at which the Bonds are being sold are more fully described on **Schedule I** attached hereto.

The Bonds are being issued to provide funds to refinance the outstanding principal amount of the City's outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 (the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the Bonds.

2. Public Offering.

The Underwriter intends to make an initial bona fide public offering of all of the Bonds at not in excess of the public offering prices set forth on the cover of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover of the Official Statement. The Underwriter reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market; and (ii) to discontinue such stabilizing, if commenced at any time without prior notice.

3. Official Statement.

(a) KUB has provided the Underwriter with information that constitutes a "deemed final" official statement for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12"). Concurrently with KUB's acceptance of this Bond Purchase Agreement, KUB shall deliver or cause to be delivered to the Underwriter two copies of the Official Statement (as hereinafter defined) relating to the Bonds dated the date hereof substantially in the same form as the Preliminary Official Statement with only such changes as shall have been accepted by the Underwriter.

(b) Within seven (7) business days from the date hereof and within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, KUB shall deliver to the Underwriter copies of the Official Statement of KUB, dated the date hereof, relating to the Bonds, in sufficient quantity as may reasonably be requested by the Underwriter in order to comply with Rule 15c2-12 and any applicable rules of the Municipal Securities Rulemaking Board, in substantially the form approved by KUB (which, together with the cover page, and all exhibits, appendices, and statements included therein or attached thereto and any amendments and supplements that may be authorized for use with respect to the Bonds is herein called the "Official Statement"), executed on behalf of KUB by a duly authorized officer of KUB. You hereby authorize and approve the Official Statement and other pertinent documents referred to in Section 6 hereof to be lawfully used in connection with the offering and sale of the Bonds. You also acknowledge and ratify the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement in connection with a public offering of the Bonds.

(c) If, prior to the Closing (as defined in Section 5 below) or within twenty-five (25) days subsequent to the end of the underwriting period as such term is used for purposes of Rule 15c2-12, any event shall occur with respect to KUB or KUB shall receive notice of the occurrence of any other event that might or would cause the information contained in the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, KUB shall so notify the Underwriter. KUB agrees to amend or supplement the Official Statement whenever requested by the Underwriter when in the reasonable judgment of the Underwriter such amendment or supplementation is required and to furnish the Underwriter with sufficient quantities of such amendment or supplement in order to permit the Underwriter to comply with Rule 15c2-12.

4. Representations and Warranties.

KUB hereby represents and warrants to the Underwriter that:

(a) KUB is duly existing pursuant to the Charter of the City and is authorized by such Charter to operate and manage the System. KUB has duly authorized all necessary action to be taken by it for: (i) the issuance and sale of the Bonds upon the terms set forth herein and in the Official Statement; (ii) the approval of the Official Statement and the signing of the Official Statement by a duly

authorized officer; (iii) the execution, delivery and receipt of this Bond Purchase Agreement, the Bonds and any and all such other agreements and documents as may be required to be executed, delivered and received by KUB in order to carry out, give effect to, and consummate the transactions contemplated hereby, by the Bonds, the Official Statement and the Bond Resolution;

(b) When executed by the respective parties thereto, this Bond Purchase Agreement will constitute legal, valid and binding obligation of KUB enforceable in accordance with its terms;

(c) The information and statements contained in the Preliminary Official Statement, as of its date and as of the date hereof, did not and do not contain any untrue statement of a material fact or omit to state any material fact which was necessary in order to make such information and statements, in the light of the circumstances under which they were made, not misleading;

(d) The information and statements contained in the Official Statement, as of its date and as of the Closing, are and will be correct and complete in all material respects and do not and will not contain any untrue statement of a material fact or omit to state any material fact which is necessary in order to make such information and statements, in the light of the circumstances under which they were made, not misleading;

(e) KUB has complied, and will at the Closing be in compliance, in all respects with the obligations on its part contained in the Bond Resolution and the laws of the State of Tennessee (the "State"), including the Act;

(f) The City has duly adopted the Bond Resolution, and the City and KUB have (a) duly authorized and approved the distribution of the Preliminary Official Statement, (b) duly authorized and approved the execution and delivery of the Official Statement, (d) duly authorized and approved the execution and delivery of, and the performance by KUB of the obligations on its part contained in, the Bonds, the Bond Resolution and this Bond Purchase Agreement, and (e) duly authorized and approved the consummation by it of all other transactions contemplated by this Bond Purchase Agreement and the Official Statement;

(g) KUB is not in breach of or default under any applicable law or administrative regulation of the State or the United States in any manner related to or affecting the transactions contemplated hereby or in breach of or default under any applicable judgment or decree or any loan agreement, note, resolution, ordinance, agreement or other instrument to which KUB is a party or to which it or any of its property is otherwise subject; and the execution and delivery of this Bond Purchase Agreement, the Bonds and the adoption of the Bond Resolution, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, ordinance, agreement or other instrument to which KUB is a party or to which it or any of its property is otherwise subject;

(h) Except as may be required under the securities or "blue sky" laws of any state, all approvals, consents, authorizations and orders of, filings with or certifications by any governmental authority, board, agency or commission having jurisdiction, which would constitute a condition precedent to the performance by KUB of its obligations hereunder and under the Bond Resolution and the Bonds, have been obtained;

(i) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of KUB, threatened against KUB or others (a) affecting KUB or the corporate existence of KUB or the titles of its officers to their respective offices, (b) seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of Net Revenues pledged to pay the principal of and interest on the Bonds, or the pledge

thereof, (c) in any way contesting or affecting the transactions contemplated hereby or by the Official Statement or by the validity or enforceability of the Bonds, the Bond Resolution or this Bond Purchase Agreement, (d) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or (e) contesting the powers or authority of KUB for the issuance of the Bonds, the adoption of the Bond Resolution or the execution and delivery of this Bond Purchase Agreement;

(j) KUB will not take or omit to take any action that will in any way cause the proceeds from the sale of the Bonds and other moneys of KUB to be transferred on the date of issuance of the Bonds to be applied or result in such proceeds and other moneys being applied in a manner other than as provided in or permitted by the Bond Resolution and consistent with the utilization described in the Official Statement;

(k) KUB agrees reasonably to cooperate with the Underwriter and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Underwriter may request. KUB hereby consents to the use of the Official Statement and the Bond Resolution by the Underwriter in obtaining any qualification required;

(l) If at any time from the date of this Bond Purchase Agreement through 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12 described below) any event shall occur that might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, KUB shall notify the Underwriter and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, KUB will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. If the Official Statement is so supplemented or amended prior to the Closing, such approval by the Underwriter of a supplement or amendment to the Official Statement shall not preclude the Underwriter from thereafter terminating this Bond Purchase Agreement, and if the Official Statement is so amended or supplemented subsequent to the date hereof and prior to the Closing, the Underwriter may terminate this Bond Purchase Agreement by notification to KUB at any time prior to the Closing if, in the judgment of the Underwriter, such amendment or supplement has or will have a material adverse effect on the marketability of the Bonds;

(m) KUB has duly authorized and approved the execution and delivery of this Bond Purchase Agreement and the performance by KUB of the obligations on its part contained herein;

(n) KUB is not, nor has it at any time, been in default in the payment of principal of or interest on any obligation issued or guaranteed by KUB;

(o) Any certificate signed by an authorized officer of KUB and delivered to the Underwriter at or prior to the Closing shall be deemed a representation and warranty by KUB in connection with this Bond Purchase Agreement to the Underwriter as to the statements made therein upon which the Underwriter shall be entitled to rely. KUB covenants that between the date hereof and the Closing, it will not take any action that will cause the representations and warranties made herein to be untrue as of the Closing;

(p) The Bonds, when issued, authenticated and delivered in accordance with the Bond Resolution and sold to the Underwriter as provided herein, will be validly issued and outstanding special obligations of KUB entitled to the benefits of the Bond Resolution;

(q) KUB has lawful authority to operate the System, to consummate the transactions contemplated by the Official Statement and collect revenues, fees and other charges in connection with

the System and through its Board of Commissioners, to fix the rates, fees and other charges with respect to the System; and

(r) KUB hereby covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about KUB, for the benefit of the beneficial owners of the Bonds on or before the date of delivery of the Bonds as required under paragraph (b)(5) of Rule 15c2-12. The Undertaking shall be as described in the Preliminary Official Statement, with such changes as may be agreed in writing by the Underwriter. KUB represents that it has complied in all respects with its obligations to provide continuing disclosure of certain information as described in that certain Continuing Disclosure Certificate entered into in connection with the issuance of the Bonds.

5. Delivery of, and Payment for, the Bonds.

At 10:00 a.m. on or about \_\_\_\_\_, 201\_\_, or at such other time or date as shall have been mutually agreed upon by KUB and the Underwriter, KUB will deliver, or cause to be delivered, to the Underwriter the other documents hereinafter mentioned and, subject to the conditions contained herein, the Underwriter will accept such delivery and pay the purchase price of the Bonds plus accrued interest payable to the order of KUB, in federal funds or other immediately available funds by delivering to KUB such funds by wire transfer to KUB or its designated agent except that physical delivery of the Bonds shall be made through the facilities of the Depository Trust Company.

Payment for the Bonds shall be confirmed and delivery of the documents as aforesaid shall be made at the offices of KUB, or such other place as may be agreed upon by the Underwriter and KUB. Such payment and delivery is herein called the "Closing." The Bonds will be delivered as fully registered bonds in such names and in such denominations as shall be designated in writing by the Underwriter to KUB at Closing.

6. Certain Conditions to Underwriter's Obligations.

The obligations of the Underwriter hereunder shall be subject to (i) the performance by KUB of its obligations to be performed hereunder, (ii) the accuracy in all material respects of the representations and warranties of KUB herein as of the date hereof and as of the date of the Closing, and (iii) to the following conditions:

(a) At the time of Closing, (i) the Bond Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, (ii) the proceeds of the sale of the Bonds shall be applied as described in the Official Statement, and (iii) KUB shall have duly adopted and there shall be in full force and effect such other resolutions as, in the opinion of Bass Berry & Sims PLC, Knoxville, Tennessee ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby;

(b) At or prior to the Closing, the Underwriter shall have received an executed copy of each of the following documents:

(1) the approving opinion, dated the date of the Closing, of Bond Counsel addressed to KUB and the Underwriter, relating to, among other things, the validity of the Bonds [and the exclusion from gross income of the interest on the Bonds for federal and State of Tennessee income tax purposes,] in substantially the form set forth as Appendix \_ to the Official Statement;

(2) a supplemental opinion, dated the date of the Closing, of Bond Counsel addressed to the Underwriter in substantially the form of Exhibit A hereto;

(3) an opinion, dated the date of the Closing, of Hodges, Doughty & Carson, Knoxville, Tennessee, counsel to KUB, addressed to KUB, Bond Counsel and the Underwriter in substantially the form of Exhibit B hereto;

(4) a certificate of KUB, dated the date of the Closing and signed by a duly authorized officer of KUB and in form and substance reasonably satisfactory to the Underwriter, to the effect that (i) since the execution of the Bond Purchase Agreement no material and adverse change has occurred in the financial position of the System or results of operations of the System; (ii) KUB has not incurred any material liabilities secured by the Net Revenues of the System other than in the ordinary course of business or as set forth in or contemplated by the Official Statement; and (iii) no event affecting KUB has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading as of the date of Closing;

(5) the Official Statement executed on behalf of KUB by a duly authorized officer thereof;

(6) the Bond Resolution and the Bonds;

(7) a certificate of a duly authorized officer of KUB, satisfactory to the Underwriter, dated the date of Closing, stating that such officer is charged, either alone or with others, with the responsibility for issuing the Bonds; setting forth, in the manner permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), the reasonable expectations of KUB as of such date as to the use of proceeds of the Bonds and of any other funds of KUB expected to be used to pay principal or interest on the Bonds and the facts and estimates on which such expectations are based; and stating that, to the best of the knowledge and belief of the certifying officer, KUB's expectations are reasonable;

(8) evidence indicating a rating on the Bonds of "\_\_\_" by [rating agency];

(9) other certificates of KUB listed on a Closing Memorandum to be approved by counsel to KUB, Bond Counsel and counsel to the Underwriter, including any certificates or representations required in order for Bond Counsel to deliver the opinion referred to in Paragraph 7(b) (1) of this Bond Purchase Agreement; and such additional legal opinions, certificates, proceedings, instruments and other documents as the counsel to the Underwriter or Bond Counsel may reasonably request to evidence compliance by KUB with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of KUB contained herein and the due performance or satisfaction by KUB at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by KUB.

All such opinions, certificates, letters, agreements and documents will be in compliance with the provisions hereof only if they are satisfactory in form and substance to the Underwriter and counsel to the Underwriter. KUB will furnish the Underwriter with such conformed copies or photocopies of such opinions, certificates, letters, agreements and documents as the Underwriter may reasonably request.

(c) The Underwriter shall have received within seven (7) business days from the date hereof and within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the Official Statement in sufficient quantity as may be reasonably requested by the Underwriter in order to comply with Rule 15(c) 2-12.

7. Termination.

The Underwriter shall have the right to cancel its obligation to purchase the Bonds if (i) between the date hereof and the Closing, legislation shall be enacted or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a bill to amend the Internal Revenue Code (which, if enacted, would take effect in whole or in part prior to the Closing) shall be filed in either house, or recommended for passage by the Congress by any joint or conference committee thereof, or a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling, regulation or statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed to be made, with respect to the federal taxation upon interest on obligations of the general character of the Bonds, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly of changing the federal income tax consequences of any of the transactions contemplated in connection herewith, including the tax-exempt status of KUB and, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, or (ii) there shall exist any event which in the Underwriter's judgment either (a) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (b) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, or (iii) there shall have occurred any outbreak of hostilities or any national or international calamity or crisis including financial crisis, or a financial crisis or a default with respect to the debt obligations of, or the institution of proceedings under the federal or the state bankruptcy laws by or against the State of Tennessee or any subdivision, agency or instrumentality of such State, the effect of which on the financial markets of the United States being such as, in the reasonable judgment of the Underwriter, would make it impracticable for the Underwriter to market the Bonds or to enforce contracts for the sale of the Bonds, or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange, or (v) a general banking moratorium shall have been declared by either federal, Tennessee or New York authorities, or (vi) there shall have occurred since the date of this Bond Purchase Agreement any material adverse change in the financial position of the System, except for changes which the Official Statement discloses have occurred or may occur, or (vii) legislation shall be enacted or any action shall be taken by the Securities and Exchange Commission which, in the opinion of counsel for the Underwriter, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Bond Resolution or any other document executed in connection with the transactions contemplated hereof to be qualified under the Trust Indenture Act of 1939, as amended, or (viii) a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the Bonds, or of obligations of the general character of the Bonds as contemplated hereby, or the offering of any other obligation which may be represented by the Bonds is in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or (ix) any state blue sky or securities commission shall have withheld registration, exemption or clearance of the offering, and in the reasonable judgment of the Underwriter the market for the Bonds is materially affected thereby.

If KUB shall be unable to satisfy any of the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement and such condition is not waived by the Underwriter, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds shall be terminated or canceled for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor KUB shall be under further obligation

hereunder; except that the respective obligations to pay expenses, as provided in Section 11 hereof, shall continue in full force and effect.

8. Particular Covenants.

KUB covenants and agrees with the Underwriter as follows:

(a) KUB shall use its best efforts to furnish or cause to be furnished to the Underwriter, without charge, as many copies of the Official Statement as the Underwriter may reasonably request;

(b) Before revising, amending or supplementing the Official Statement, KUB shall furnish a copy of the revised Official Statement or such amendment or supplement to the Underwriter. If in the opinion of KUB and the Underwriter a supplement or amendment to the Official Statement is required, KUB will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter and its counsel.

9. Survival of Representations.

All representations, warranties and agreements of KUB hereunder shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of the Bonds.

10. Payment of Expenses.

Whether or not the Bonds are sold to the Underwriter by KUB, KUB shall pay, but only out of the proceeds of the sale of the Bonds or other funds made available by KUB, any expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of the preparation and printing of the Official Statement and any supplements thereto, together with a number of copies which the Underwriter deems reasonable; (ii) the cost of the preparation and printing of the definitive Bonds; (iii) the rating agency fees; and (iv) the fees and disbursements of Counsel to KUB and Bond Counsel and any other experts or consultants retained by KUB.

Whether or not the Bonds are sold to the Underwriter, the Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds; (ii) the cost of preparing and printing the blue sky memorandum, if any, and filing fees in connection with the aforesaid blue sky memorandum other than the costs of preparation of the Preliminary Official Statement and the Official Statement; and (iii) all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds, including the fees and expenses of the Underwriter's counsel.

11. No Advisory or Fiduciary Role.

KUB acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between KUB and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and are not acting as the agent, advisor or fiduciary of KUB, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of KUB with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliates of the Underwriter, has provided other services or are currently providing other services to KUB on other matters) and the Underwriter has no obligation to KUB with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Underwriter

has financial and other interests that differ from those of KUB and (v) KUB has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

KUB and the Underwriter represent and warrant that no finder or other agent has been employed by either KUB or the Underwriter in connection with this transaction.

12. Notices.

Any notice or other communication to be given to KUB under this Bond Purchase Agreement may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

13. Parties.

This Bond Purchase Agreement is made solely for the benefit of KUB and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

14. Governing Law.

This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

15. General.

This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which will constitute one and the same instrument. The section headings of this Bond Purchase Agreement are for convenience of reference only and shall not affect its interpretation. This Bond Purchase Agreement shall become effective upon your acceptance hereof.

Very truly yours,

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Accepted and agreed to as of  
the date first above written:

KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
Senior Vice President and Chief Financial Officer

**EXHIBIT A OF BOND PURCHASE AGREEMENT**

**[LETTERHEAD OF BASS BERRY & SIMS PLC]**

[Closing Date]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Ladies and Gentlemen:

This opinion is being rendered to you pursuant to Paragraph 6(b)(2) of the Bond Purchase Agreement, dated \_\_\_\_\_, 2015 (the "Bond Purchase Agreement"), between \_\_\_\_\_ (the "Underwriter"), and Knoxville Utilities Board ("KUB"), relating to the sale by KUB of its Electric System Revenue Refunding Bonds, Series EE-2015, in the aggregate principal amount of \$32,250,000 (the "Bonds"). Terms which are used herein and not otherwise defined shall have the meanings assigned to them in the Bond Purchase Agreement.

Of even date herewith, we have delivered our approving opinion in connection with the issuance of the Bonds. In our capacity as Bond Counsel, we have reviewed a record of proceedings in connection with the issuance of the Bonds and we have participated in conferences from time to time with counsel to KUB, representatives of the Underwriter and counsel to the Underwriter, relative to the Official Statement, dated \_\_\_\_\_, 201\_\_, relating to the Bonds, and the related documents described below. We have also examined such other agreements, documents and certificates, and have made such investigations of law, as we have deemed necessary or appropriate in rendering the opinions set forth below.

Based on the foregoing, we are of the opinion that, as of the date hereof:

1. The offer and sale of the Bonds to the public do not require any registration under the Securities Act of 1933, as amended, and, in connection therewith, the Bond Resolution does not need to be qualified under the Trust Indenture Act of 1939, as amended.

2. The statements contained in the Official Statement under the captions "Introduction" to the extent the narrative thereunder purports to describe the terms of the Bonds and the legal authority by which they are issued, "The Bonds," and in Appendix A to the Official Statement, insofar as such statements purport to summarize certain provisions of the Bonds and the Bond Resolution, fairly summarize such provisions. The statements contained in the Official Statement under the caption "Opinion of Bond Counsel" are correct as to matters of law.

This opinion may be relied upon only by the Underwriter and by other persons to whom written permission to rely hereon is granted by us.

Very truly yours,

**EXHIBIT B OF BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 201\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Bass Berry & Sims  
900 South Gay Street, Suite 1700  
Knoxville, Tennessee 37902

Ladies and Gentlemen:

**Re: City of Knoxville, Tennessee acting on behalf of the Knoxville Utilities Board \$32,250,000 Electric System Revenue Refunding Bonds, Series EE-2015**

Ladies and Gentlemen:

You have requested that the undersigned, General Counsel to the Knoxville Utilities Board of the City of Knoxville, Tennessee ("KUB"), render this opinion in connection with the execution, delivery and sale of the captioned bonds (the "Bonds"), the proceeds of which will be used to refinance a portion of the outstanding principal amount of the City's outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029.

It is our opinion that KUB is duly established and validly existing pursuant to the Charter of the City of Knoxville, Tennessee (the "Municipality"), and, pursuant to said Charter and the electrical power distribution system of the Municipality (the "System") is under the jurisdiction, control and management of KUB.

The undersigned does hereby certify that no litigation of any nature is now pending or, to our knowledge, threatened

- (1) seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds;
- (2) seeking to restrain or enjoin the charging of sufficient rates to pay the cost of operating, maintaining, repairing and insuring the System and to pay principal of and interest on the Bonds and all outstanding obligations payable from the revenues of the System;
- (3) in any manner questioning the proceedings or authority pursuant to which the Bonds are authorized or issued or such rates are charged;
- (4) in any manner questioning or relating to the validity of the Bonds;
- (5) contesting in any way the completeness or accuracy of the Official Statement prepared and distributed in connection with the sale of the Bonds;

(6) in any way contesting the corporate existence or boundaries of the Municipality, except for various pending actions challenging past or present annexation efforts of the Municipality, which will have no material adverse effect on the revenues of the System;

(7) contesting the title of the present officers of KUB to their respective offices; or

(8) contesting the powers of KUB or the authority of KUB with respect to the Bonds, or proceedings authorizing the Bonds, or any act to be done or document or certificate to be executed or delivered in connection with the issuance and delivery of the Bonds.

Neither the voters of the Municipality nor its governing body nor the Board of Commissioners of KUB have approved any special, local or private act or legislation passed by the General Assembly of the State of Tennessee at its most recent session or any amendments to the Charter of the Municipality affecting the power of the Municipality to issue the Bonds or pay the principal of, premium, if any, and interest on the Bonds when due or affecting the power of the Board of Commissioners of KUB to manage and control the System.

I hereby certify that \_\_\_\_\_ and \_\_\_\_\_ are the duly qualified, appointed and acting Chair and Secretary, respectively, of the Board of Commissioners of KUB with full power to act as such officers on behalf of KUB in connection with the execution and delivery of the Bonds.

Yours truly,

**EXHIBIT B**

**FORM OF REFUNDING ESCROW AGREEMENT**

**CITY OF KNOXVILLE, TENNESSEE  
ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD  
\$32,250,000 ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES EE-2015**

**REFUNDING ESCROW AGREEMENT**

This Refunding Escrow Agreement is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 201\_\_, by and between Knoxville Utilities Board ("KUB") acting on behalf of the City of Knoxville, Tennessee (the "City") and \_\_\_\_\_, \_\_\_\_\_, Tennessee (the "Agent").

**WITNESSETH:**

WHEREAS, the Board of Commissioners (the "Board") of KUB has determined to provide for payment of the City's outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 (the "Refunded Bonds") by depositing in escrow with the Agent funds that, with the investment income therefrom, will be sufficient to pay the principal of and interest on the portion of the Refunded Bonds set forth on Exhibit A hereto; and

WHEREAS, in order to obtain the funds needed to refund the Refunded Bonds, the City has authorized and issued its Electric System Revenue Refunding Bonds, Series EE-2015, dated \_\_\_\_\_, 2015 (the "Refunding Bonds"); and

WHEREAS, a portion of the proceeds derived from the sale of the Refunding Bonds and certain funds of KUB, if any, will be deposited in escrow with the Agent hereunder and applied to the purchase of certain securities described herein, the principal amount thereof together with interest thereon to mature at such times and in such amounts as shall be sufficient to pay when due all of the principal of, premium, if any, and interest on the Refunded Bonds identified on Exhibit A; and

WHEREAS, in order to create the escrow hereinabove described, provide for the deposit of the proceeds of the Refunding Bonds and the application thereof, and provide for the payment of the Refunded Bonds, the parties hereto do hereby enter into this Agreement;

NOW, THEREFORE, KUB, in consideration of the foregoing and the mutual covenants herein set forth and in order to secure the payment of the Refunded Bonds according to their tenor and effect, does by these presents hereby grant, warrant, demise, release, convey, assign, transfer, alien, pledge, set over and confirm, to the Agent, and to its successors hereunder, and to it and its assigns forever, in escrow, all and singular the property hereinafter described to wit:

## DIVISION I

All right, title and interest of KUB and the City in and to \$\_\_\_\_\_ derived from the proceeds of the sale of the Refunding Bonds and \$\_\_\_\_\_ derived from other funds of KUB.

## DIVISION II

All right, title and interest of KUB and the City in and to the Government Securities purchased with the funds described in Division I hereof and to all income, earnings and increment derived from or accruing to the Government Securities.

## DIVISION III

Any and all other cash or eligible investments from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred in escrow hereunder by KUB or by anyone in its behalf to the Agent, which is hereby authorized to receive the same at any time to be held in escrow hereunder.

## DIVISION IV

Any other cash or eligible investments that is by the express provisions of this Agreement required to be subject to the pledge hereof and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subject to the pledge hereof, by KUB or by anyone in its behalf, and the Agent is hereby authorized to receive the same at any time to be held in escrow hereunder.

TO HAVE AND TO HOLD, all and singular, the escrowed property, including all additional property which by the terms hereof has or may become subject to this Agreement, unto the Agent, and its successors and assigns, forever.

The escrowed property shall be held in escrow for the benefit and security of the owners from time to time of the portion of the Refunded Bonds identified on Exhibit A; but if the principal of and interest on the portion of the Refunded Bonds identified on Exhibit A shall be fully and promptly paid when due in accordance with the terms hereof, then this Agreement shall be and become void and of no further force and effect, otherwise the same shall remain in full force and effect, subject to the covenants and conditions hereinafter set forth.

## ARTICLE I DEFINITIONS AND CONSTRUCTION

SECTION 1.1 Definitions. In addition to words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings, unless some other meaning is plainly intended:

"Agent" means \_\_\_\_\_, \_\_\_\_\_, Tennessee, its successors and assigns;

"Agreement" means this Refunding Escrow Agreement;

"Board" means the Board of Commissioners of KUB;

"City" means the City of Knoxville, Tennessee;

"Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated thereunder;

"Escrow Fund" shall have the meaning ascribed to it in Section 2.1 hereof;

"Escrow Property," "escrow property" or "escrowed property" means the property, rights and interest of KUB that are described in Divisions I through IV of this Agreement and hereinabove conveyed in escrow to the Agent;

"Government Securities" means obligations and securities described in Section 9-21-1012, Tennessee Code Annotated that are purchased pursuant to the terms of the Escrow Reinvestment Agreement on this Agreement;

"KUB" means Knoxville Utilities Board, Knoxville, Tennessee;

"Refunded Bonds" means the City's Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2009 through July 1, 2029;

"Refunding Bonds" means the City's Electric System Revenue Refunding Bonds, Series EE-2015, dated \_\_\_\_\_, 2015;

"Written Request" means a request in writing signed by the President and Chief Executive Officer of KUB, the Chief Financial Officer of KUB or by any other officer or official of KUB duly authorized by KUB to act in their place.

SECTION 1.2 Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. The word "person" shall include corporations, associations, natural persons and public bodies unless the context shall otherwise indicate. Reference to a person other than a natural person shall include its successors.

## ARTICLE II ESTABLISHMENT AND ADMINISTRATION OF FUNDS

SECTION 2.1 Creation of Escrow; Deposit of Funds. KUB hereby creates and establishes with the Agent a special and irrevocable escrow composed of the Escrowed Property and hereby deposits with the Agent and the Agent hereby acknowledges receipt of \$\_\_\_\_\_ as described in Division I hereof. The monies so deposited, together with investment income therefrom, is herein referred to as the "Escrow Fund" and shall constitute a fund to be held by the Agent as a part of the Escrowed Property created, established, and governed by this Agreement.

SECTION 2.2 Investment of Funds. The monies described in Section 2.1 hereof shall be held or invested as follows:

(a) the amount of \$\_\_\_\_\_ shall be used to purchase the Government Securities described on Exhibit B attached hereto; and

(b) the amount of \$\_\_\_\_\_ shall be held as cash in a non-interest-bearing account.

Except as provided in Sections 2.4 and 2.6 hereof, the investment income from the Government Securities in the Escrow Fund shall be credited to the Escrow Fund and shall not be reinvested. The Agent shall have no power or duty to invest any monies held hereunder or to make substitutions of Government Securities held hereunder or to sell, transfer, or otherwise dispose of the Government Securities acquired hereunder except as provided herein.

Section 2.3. Disposition of Escrow Funds. The Agent shall without further authorization or direction from KUB collect the principal and interest on the Government Securities promptly as the same shall fall due. From the Escrow Fund, to the extent that monies therein are sufficient for such purpose, the Agent shall make timely payments to the paying agent or its successor, for the Refunded Bonds of monies sufficient for the payment of the principal of and interest on the Refunded Bonds as the same shall become due and payable. Amounts and dates of principal and interest payments and the name and address of the paying agent with respect to the Refunded Bonds are set forth on Exhibit A. Payment on the dates and to the paying agent in accordance with Exhibit A shall constitute full performance by the Agent of its duties hereunder with respect to each respective payment. KUB represents and warrants that the Escrow Fund, if held, invested and disposed of by the Agent in accordance with the provisions of this Agreement, will be sufficient to make the foregoing payments. No paying agent fees, fees and expenses of the Agent, or any other costs and expenses associated with the Refunding Bonds or the Refunded Bonds shall be paid from the Escrow Fund, and KUB agrees to pay all such fees, expenses, and costs from its legally available funds as such payments become due. When the Agent has made all required payments of principal and interest on the Refunded Bonds to the paying agent as hereinabove provided, the Agent shall transfer any monies or Government Securities then held hereunder to KUB and this Agreement shall terminate.

Section 2.4. Excess Funds. Amounts held by the Agent, representing interest on the Government Securities in excess of the amount necessary to make the corresponding payment of principal and/or interest on the Refunded Bonds, shall be held by the Agent and invested pursuant to the Escrow Reinvestment Agreement without interest and shall be applied before any other Escrow Fund monies to the payment of the next ensuing principal and/or interest payment on the Refunded Bonds. Upon retirement of all the Refunded Bonds, the Agent shall pay any excess amounts remaining in the Escrow Fund to KUB.

Section 2.5. Reports. The Escrow Agent shall deliver to KUB a monthly report summarizing all transactions relating to the Escrow Fund; and on or before the first day of August of each year shall deliver to the Chief Financial Officer of KUB a report current as of June 30 of that year, which shall summarize all transactions relating to the Escrow Fund effected during the immediately preceding fiscal year of KUB and which also shall set forth all assets in the Escrow Fund as of June 30 and set forth opening and closing balances thereof for that fiscal year.

Section 2.6 Investment of Moneys Remaining in Escrow Fund. The Agent may invest and reinvest any monies remaining from time to time in the Escrow Fund until such time as they are needed. Such monies shall be invested in Government Securities, maturing no later than the next interest payment date of the Refunded Bonds, or for such periods or at such interest rates as the Agent shall be directed by Written Request, provided, however, that KUB shall furnish the Agent, as a condition precedent to such investment, with an opinion from nationally recognized bond counsel stating that such reinvestment of such monies will not, under the statutes, rules and regulations then in force and applicable to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on the Refunding Bonds or the Refunded Bonds not to be excluded from gross income for federal income tax purposes and that such

investment is not inconsistent with the statutes and regulations applicable to the Refunding Bonds and Refunded Bonds. Any interest income resulting from reinvestment of monies pursuant to this Section 2.6 shall be applied first to the payment of principal of and interest on the Refunded Bonds to the extent the Escrow is or will be insufficient to retire the Refunded Bonds as set forth on Exhibit A and any excess shall be paid to KUB to be applied to the payment of the Refunding Bonds or the expenses of issuance thereof.

Section 2.7. Irrevocable Escrow Created. The deposit of monies, Government Securities, matured principal amounts thereof, and investment proceeds therefrom in the Escrow Fund shall constitute an irrevocable deposit of said monies and Government Securities for the benefit of the holders of the Refunded Bonds, except as provided herein with respect to amendments permitted under Section 4.1 hereof. All the funds and accounts created and established pursuant to this Agreement shall be and constitute escrow funds for the purposes provided in this Agreement and shall be kept separate and distinct from all other funds of KUB and the Agent and used only for the purposes and in the manner provided in this Agreement.

Section 2.8. Redemption of Refunded Bonds. The Refunded Bonds shall be redeemed as stated on Exhibit C attached hereto.

### ARTICLE III CONCERNING THE AGENT

SECTION 3.1 Appointment of Agent. KUB hereby appoints the Agent as escrow agent under this Agreement.

SECTION 3.2 Acceptance by Agent. By execution of this Agreement, the Agent accepts the duties and obligations as Agent hereunder. The Agent further represents that it has all requisite power, and has taken all corporate actions necessary to execute the escrow hereby created.

SECTION 3.3 Liability of Agent. The Agent shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by KUB or any paying agent of its obligations, or to protect any of KUB's rights under any bond proceedings or any of KUB's other contracts with or franchises or privileges from any state, county, municipality or other governmental agency or with any person. The Agent shall not be liable for any act done or step taken or omitted to be taken by it, or for any mistake of fact or law, or anything which it may do or refrain from doing, except for its own gross negligence or willful misconduct in the performance or nonperformance of any obligation imposed upon it hereunder. The Agent shall not be responsible in any manner whatsoever for the recitals or statements contained herein or in the Refunded Bonds or in the Refunding Bonds or in any proceedings taken in connection therewith, but they are made solely by KUB. The Agent shall have no lien whatsoever upon any of the monies or investments in the Escrow Fund for the payment of fees and expenses for services rendered by the Agent under this Agreement.

The Agent shall not be liable for the accuracy of the calculations as to the sufficiency of Escrow Fund monies and Government Securities and the earnings thereon to pay the Refunded Bonds. So long as the Agent applies any monies, the Government Securities and the interest earnings therefrom to pay the Refunded Bonds as provided herein, and complies fully with the terms of this Agreement, the Agent shall not be liable for any deficiencies in the amounts necessary to pay the Refunded Bonds caused by such calculations. The Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this Agreement and in full compliance with the provisions hereof.

In the event of the Agent's failure to account for any of the Government Securities or monies received by it, said Government Securities or monies shall be and remain the property of KUB in escrow for the benefit of the holders of the Refunded Bonds, as herein provided, and if for any improper reason such Government Securities or monies are applied to purposes not provided for herein or misappropriated by the Agent, the assets of the Agent shall be impressed with a trust for the amount thereof until the required application of such funds shall be made or such funds shall be restored to the Escrow Fund.

SECTION 3.4 Permitted Acts. The Agent and its affiliates may become the owner of or may deal in the Refunding Bonds or Refunded Bonds as fully and with the same rights as if it were not the Agent.

SECTION 3.5 Exculpation of Funds of Agent. Except as set forth in Section 3.3, none of the provisions contained in this Agreement shall require the Agent to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Agent shall be under no liability for interest on any funds or other property received by it hereunder, except as herein expressly provided.

SECTION 3.6 No Redemption or Acceleration of Maturity. The Agent will not pay any of the principal of or interest on the Refunded Bonds, except as provided in Exhibit A attached hereto and will not redeem or accelerate the maturity of any of the Refunded Bonds except as provided in Section 2.9 hereof.

SECTION 3.7 Qualifications of Agent. There shall at all times be an Agent hereunder that shall be a corporation or banking association organized and doing business under the laws of the United States or any state, located in the State of Tennessee, authorized under the laws of its incorporation to exercise the powers herein granted, having a combined capital, surplus, and undivided profits of at least \$75,000,000 and subject to supervision or examination by federal or state authority. If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this paragraph the combined capital, surplus, and undivided profits of such corporation or association shall be deemed to be its combined capital, surplus, and undivided profits as set forth in its most recent report of condition as published. In case at any time the Agent shall cease to be eligible in accordance with the provisions of this section, the Agent shall resign immediately in the manner and with the effect specified herein.

SECTION 3.8 Resignation of Agent. The Agent may at any time resign by giving direct written notice to KUB and by giving the holders of the Refunded Bonds notice by first-class mail of such resignation. Upon receiving such notice of resignation, KUB shall promptly appoint a successor escrow agent in the manner provided in the resolution authorizing the Refunding Bonds. If no successor escrow agent shall have been appointed and have accepted appointment within thirty (30) days after the publication of such notice of resignation, the resigning Agent may petition any court of competent jurisdiction located in Knox County, Tennessee, for the appointment of a successor, or any holder of the Refunded Bonds may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor meeting the qualifications set forth in Section 3.7. The Agent shall serve as escrow agent hereunder until its successor shall have been appointed and such successor shall have accepted the appointment.

SECTION 3.9 Removal of Agent. In case at any time the Agent shall cease to be eligible in accordance with the provisions of Section 3.8 hereof and shall fail to resign after written request therefor by KUB or by any holder of the Refunded Bonds, or the Agent shall become incapable of acting, shall be adjudged a bankrupt or insolvent or a receiver of the Agent or any of its property shall be appointed, or

any public officer shall take charge or control of the Agent or its property or affairs for the purpose of rehabilitation, conservation, or liquidation, then in any such case, the Board may remove the Agent and appoint a successor in the manner provided in the resolution authorizing the Refunding Bonds or any such bondholder may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction situated in Knox County, Tennessee for the removal of the Agent and the appointment of a successor. Such court may thereupon, after such notice, if any, as it may deem proper, remove the Agent and appoint a successor who shall meet the qualifications set forth in Section 3.8. Unless incapable of serving, the Agent shall serve as escrow agent hereunder until its successor shall have been appointed and such successor shall have accepted the appointment.

The holders of a majority in aggregate principal amount of all the Refunded Bonds at any time outstanding may at any time remove the Agent and appoint a successor by an instrument or concurrent instruments in writing signed by such bondholders and presented, together with the successor's acceptance of appointment, to KUB and the Agent.

Any resignation or removal of the Agent and appointment of a successor pursuant to any of the provisions of this Agreement shall become effective upon acceptance of appointment by the successor as provided in Section 3.10 hereof.

**SECTION 3.10 Acceptance by Successor.** Any successor escrow agent appointed as provided in this Agreement shall execute, acknowledge and deliver to KUB and to its predecessor an instrument accepting such appointment hereunder and agreeing to be bound by the terms hereof, and thereupon the resignation or removal of the predecessor shall become effective and such successor, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Agent herein; but, nevertheless, on Written Request of KUB or the request of the successor, the predecessor shall execute and deliver an instrument transferring to such successor all rights, powers and escrow property of the predecessor. Upon request of any such successor, KUB shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor all such rights, powers and duties. No successor shall accept appointment as provided herein unless at the time of such acceptance such successor shall be eligible under the provisions of Section 3.7 hereof.

Any corporation into which the Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Agent shall be a party, or any corporation succeeding to the business of the Agent, shall be the successor of the Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor shall be eligible under the provisions of Section 3.8 hereof.

**SECTION 3.11 Payment to Agent.** KUB agrees to pay the Agent, as reasonable and proper compensation under this Agreement, a one-time fee of \$\_\_\_\_. The Agent shall be entitled to reimbursement of all advances, counsel fees and expenses, and other costs made or incurred by the Agent in connection with its services and/or its capacity as Agent or resulting therefrom. In addition, KUB agrees to pay to the Agent all out-of-pocket expenses and costs of the Agent incurred by the Agent in the performance of its duties hereunder, including all publication, mailing and other expenses associated with the redemption of the Refunded Bonds; provided, however, that KUB agrees, to the extent permitted by law, to indemnify the Agent and hold it harmless against any liability (unless such liability is due to the gross negligence or willful misconduct of the Agent) which it may incur while acting in good faith in its capacity as Agent under this Agreement, including, but not limited to, any court costs and attorneys' fees, and such indemnification shall be paid from available funds of KUB and shall not give rise to any claim against the Escrow Fund.

ARTICLE IV  
MISCELLANEOUS

SECTION 4.1 Amendments to this Agreement. This Agreement is made for the benefit of KUB, the holders from time to time for the Refunded Bonds, and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Agent and KUB; provided, however, that KUB and the Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Agent for the benefit of the holders of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Agent shall be entitled to rely exclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Notwithstanding the foregoing or any other provision of this Agreement, upon Written Request and upon compliance with the conditions hereinafter stated, but only with the consent of the Provider, the Agent shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of all or any portion of the Government Securities held hereunder and to substitute therefor direct obligations of, or obligations the principal of and interest on which are fully guaranteed by the United States of America, subject to the condition that such monies or securities held by the Agent shall be sufficient to pay principal of and interest on the Refunded Bonds. KUB hereby covenants and agrees that it will not request the Agent to exercise any of the powers described in the preceding sentence in any manner which will cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 148 of the Code in effect on the date of such request and applicable to obligations issued on the issue date of the Refunding Bonds. The Agent shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the Government Securities held hereunder or from other monies available. The transactions may be effected only if there shall have been submitted to the Agent: (1) an independent verification by a nationally recognized independent certified public accounting firm concerning the adequacy of such substituted securities with respect to principal and the interest thereon and any other monies or securities held for such purpose to pay when due the principal of and interest on the Refunded Bonds in the manner required by the proceedings which authorized their issuance; and (2) an opinion from nationally recognized bond counsel to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on the Refunding Bonds not to be exempt from Federal income taxation. Any surplus monies resulting from the sale, transfer, other disposition or redemption of the Government Securities held hereunder and the substitutions therefor of direct obligations of, or obligations the principal of and interest on which is fully guaranteed by, the United States of America, shall be released from the Escrow Fund and shall be transferred to KUB.

SECTION 4.2 Severability. If any provision of this Agreement shall be held or deemed to be invalid or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

SECTION 4.3 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Tennessee.

SECTION 4.4 Notices. Any notice, request, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by Registered or Certified Mail, postage prepaid, or sent by telegram as follows:

To KUB:

Chief Financial Officer  
Knoxville Utilities Board  
445 Gay Street  
Knoxville, Tennessee 37902

To the Agent:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

KUB and the Agent may designate in writing any further or different addresses to which subsequent notices, requests, communications or other papers shall be sent.

SECTION 4.5 Agreement Binding. All the covenants, promises and agreements in this Agreement contained by or on behalf of the parties shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 4.6 Termination. This Agreement shall terminate when all transfers and payments required to be made by the Agent under the provisions hereof shall have been made.

SECTION 4.7 Execution by Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, KUB has caused this Agreement to be signed in its name by its President and Chief Executive Officer and attested by the Secretary of its Board of Commissioners, and the Agent has caused this Agreement to be signed in its corporate name by its duly authorized officers, all as of the day and date first above written.

CITY OF KNOXVILLE, TENNESSEE  
by and through the  
KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
President and Chief Executive Officer

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Escrow Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A TO REFUNDING ESCROW AGREEMENT

Debt Service Schedule of the outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 to the Redemption Date with name and address of the Paying Agent and Date and Amount of Redemption

<u>Payment Date</u>	<u>Principal Payable</u>	<u>Principal Redeemed</u>	<u>Interest Payable</u>	<u>Redemption Premium</u>	<u>Total Debt Service</u>
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Totals:

Paying Agent: Regions Bank  
Nashville, Tennessee

EXHIBIT B TO REFUNDING ESCROW AGREEMENT

Government Securities

Par Amount

Interest Rate

Maturity Date

Cost of Securities: \$ \_\_\_\_\_

Cash: \$ \_\_\_\_\_

EXHIBIT C TO REFUNDING ESCROW AGREEMENT

The outstanding Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 (the "Refunded Bonds") of the City of Knoxville, Tennessee shall be redeemed as provided in this Exhibit C. The Agent is hereby authorized and directed to give the paying agent for the Refunded Bonds notice on or before \_\_\_\_\_ to give notice of a \_\_\_\_\_ redemption to the holders of said Refunded Bonds in accordance with the resolution authorizing the issuance of said Refunded Bonds.

NOTICE OF REDEMPTION

THE CITY OF KNOXVILLE, TENNESSEE  
BY AND THROUGH THE  
KNOXVILLE UTILITIES BOARD

NOTICE IS HEREBY GIVEN that the City of Knoxville, Tennessee (the "City"), by and through the Knoxville Utilities Board, has elected to and does exercise its option to call and redeem on \_\_\_\_\_, all of the City's Refunded Bonds as follows:

Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009,  
maturing July 1, 2019 through July 1, 2029

The owners of the above-described Bonds are hereby notified to present the same to the principal office of Regions Bank, Nashville, Tennessee, where redemption shall be made at the price of par plus interest accrued to the redemption date. The redemption price will become due and payable on \_\_\_\_\_ upon each such Bond herein called for redemption and such Bonds shall not bear interest beyond \_\_\_\_\_.

Important Notice: Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Economic Growth and Tax Relief Reconciliation Act of 2003 (the "Act"), unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed W-9 or exemption certificate or equivalent when presenting your securities.

REGIONS BANK  
as Registration and Paying Agent

A RESOLUTION SUPPLEMENTING RESOLUTION NO. R-25-88 ADOPTED BY THE CITY COUNCIL OF THE CITY OF KNOXVILLE, TENNESSEE ON FEBRUARY 9, 1988 ENTITLED "A RESOLUTION PROVIDING FOR THE ISSUANCE OF GAS SYSTEM REVENUE BONDS" SO AS TO PROVIDE FOR THE ISSUANCE OF NOT TO EXCEED TWELVE MILLION NINE HUNDRED THOUSAND AND NO/100 DOLLARS (\$12,900,000) OF GAS SYSTEM REVENUE REFUNDING BONDS, SERIES U-2015.

RESOLUTION NO: \_\_\_\_\_

REQUESTED BY: \_\_\_\_\_

PREPARED BY: \_\_\_\_\_

APPROVED AS TO FORM

CORRECTNESS: \_\_\_\_\_

Law Director

FINANCIAL IMPACT STATEMENT:

\_\_\_\_\_

\_\_\_\_\_

Director of Finance

APPROVED: \_\_\_\_\_

APPROVED AS AN

EMERGENCY MEASURE: \_\_\_\_\_

MINUTE BOOK \_\_\_\_\_ PAGE \_\_\_\_\_

WHEREAS, the City of Knoxville (hereinafter sometimes referred to as the "City"), pursuant to a resolution entitled "A Resolution Providing for the Issuance of Gas System Revenue Bonds," being Resolution No. R-25-88 of the City Council adopted February 9, 1988 (which resolution as heretofore amended is hereinafter sometimes referred to as "Resolution No. R-25-88"), authorized an issue of Gas System Revenue Bonds; and

WHEREAS, pursuant to Resolution No. R-25-88, and for the purpose of financing the cost of the improvement, betterment and extension of the City's gas distribution system (hereinafter sometimes referred to as the "System") and the refinancing of indebtedness issued for that purpose, the City issued Gas System Revenue Bonds, the series of which, the amount issued, and the amount outstanding as of February 1, 2015, are as follows:

<u>Series</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
L-2005	\$13,985,000	\$11,380,000
N-2007	\$12,000,000	\$12,000,000
O-2010	\$13,200,000	\$ 6,825,000
P-2010	\$12,000,000	\$12,000,000
Q-2012	\$24,920,000	\$24,030,000
R-2012	\$10,000,000	\$ 9,800,000
S-2013	\$11,530,000	\$11,530,000
T-2013	\$25,000,000	\$24,800,000

WHEREAS, it is desirable that an additional series of bonds be issued to refinance the outstanding principal amount of the City's outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 (the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the bonds, pursuant to the authority of Resolution No. R-25-88 and pursuant to the authority of this resolution; and

WHEREAS, the Board of Commissioners (the "Board") of the Knoxville Utilities Board ("KUB") has duly adopted a resolution requesting the City Council of the City to adopt this resolution authorizing the issuance of bonds for the purposes and in the manner hereinafter more fully stated; and

WHEREAS, the plan of refunding for the Refunded Bonds has been submitted to the State Director of State and Local Finance (the "State Director") as required by Section 9-21-903, Tennessee Code Annotated, as amended, and she has acknowledged receipt thereof to the City and KUB and submitted her report thereon to the City and KUB, and such report has been provided to members of the City Council of the City; and

WHEREAS, it is the intention of the City Council of the City to adopt this resolution for the purpose of authorizing not to exceed \$12,900,000 in aggregate principal amount of gas system revenue refunding bonds for the purposes described above, establishing the terms of such bonds, providing for the issuance, sale and payment of the bonds and disposition of proceeds therefrom, and collection of revenues from the System and the application thereof to the payment of principal of, premium, if any, and interest on said bonds.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Knoxville, Tennessee, as follows:

Section 1. Authority. The bonds authorized by this resolution are issued pursuant to Sections 7-34-101 et seq. and 9-21-101 et seq., Tennessee Code Annotated, and other applicable provisions of law.

Section 2. Definitions. Capitalized terms used herein and not defined in this Section 2 shall have the meanings ascribed to them in the 1988 Resolution (as hereinbelow defined). The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise.

- (a) "Board" shall mean the Board of Commissioners of the Knoxville Utilities Board;
- (b) "Bond Purchase Agreement" means a Bond Purchase Agreement, dated as of the sale of the Series U-2015 Bonds, entered into by and between KUB and the Underwriter, in substantially the form of the document attached hereto as Exhibit A, subject to such changes as permitted by Section 10 hereof, as approved by the President and Chief Executive Officer of KUB, consistent with the terms of this resolution;
- (c) "Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical Bond certificates in fully registered form are issued to a Depository, or to its nominee as Registered Owner, with the certificated Bonds being held by and "immobilized" in the custody of such Depository, and under which records maintained by persons, other than the City, KUB or the Registration Agent, constitute the written record that identifies, and records the transfer of, the beneficial "book-entry" interests in those Bonds;
- (d) "City" shall mean the City of Knoxville, Tennessee;
- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder;
- (f) "Depository" means any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC;
- (g) "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;
- (h) "DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system;
- (i) "Governing Body" shall mean the City Council of the City;
- (j) "KUB" shall mean the Knoxville Utilities Board;
- (k) "1988 Resolution" shall mean Resolution No. R-25-88 of the Governing Body, adopted February 9, 1988, as supplemented and amended by Resolution No. R-59-88 adopted March 22, 1988, Resolution No. R-227-91 of the Governing Body adopted June 25, 1991, Resolution No. R-471-92 adopted October 13, 1992 (as amended by Resolution No. R-5-93 of the Governing Body adopted January 5, 1993), Resolution No. R-475-93 of the Governing Body adopted October 26, 1993, Resolution No. R-22-97 of the Governing Body adopted January 14, 1997, Resolution No. R-421-98 of the Governing Body adopted October 20, 1998, Resolution No. R-66-01 of the Governing Body adopted February 20, 2001, Resolution No. R-150-01 of the Governing Body adopted March 20, 2001, Resolution No. R-479-01 of the Governing Body adopted October 30, 2001, Resolution No. R-58-04 of the Governing Body adopted March 2, 2004, Resolution No. R-262-05 of the Governing Body adopted July 5, 2005, Resolution No. R-79-06 of the Governing Body adopted February 28, 2006, Resolution No. R-345-07 of the Governing Body adopted August 28, 2007, Resolution No. R-132-10 of the Governing

Body adopted May 4, 2010, Resolution No. R-333-2010 of the Governing Body adopted November 2, 2010, Resolution No. R-336-2011 of the Governing Body adopted December 13, 2011, Resolution No. R-290-2012 of the Governing Body adopted October 16, 2012, Resolution No. R-322-2012 of the Governing Body adopted November 13, 2012 and Resolution No. R-242-2013 of the Governing Body adopted July 23, 2013 authorizing the issuance from time-to-time of series of revenue bonds of the City payable from revenues of the System on a parity with any bonds issued pursuant to its provisions;

(l) "Outstanding Bonds" shall mean the City's outstanding Gas System Revenue Refunding Bonds, Series L-2005, maturing March 1, 2015 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2017 and thereafter to the extent, if any, not refunded with the proceeds of the Series U-2015 Bonds, the City's outstanding Gas System Revenue Refunding Bonds, Series O-2010, dated June 23, 2010, maturing March 1, 2015 and thereafter, the City's outstanding Gas System Revenue Bonds, Series P-2010 (Federally Taxable Build America Bonds), dated December 8, 2010, maturing March 1, 2017 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series Q-2012, dated April 20, 2012, maturing March 1, 2015 and thereafter, the City's outstanding Gas System Revenue Bonds, Series R-2012, dated December 18, 2012, maturing March 1, 2015 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series S-2013, dated March 15, 2013, maturing March 1, 2015 and thereafter and the City's outstanding Gas System Revenue Bonds, Series T-2013, dated October 1, 2013, maturing March 1, 2015 and thereafter;

(m) "Parity Bonds" shall mean any bonds issued on a parity with the Series U-2015 Bonds and the Outstanding Bonds pursuant to the 1988 Resolution;

(n) "Refunded Bonds" shall mean those portions of the City's outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 that are selected for refunding pursuant to Section 10 hereof;

(o) "Refunding Escrow Agent" shall mean the refunding escrow agent under the Refunding Escrow Agreement as shall be designated by the President and Chief Executive Officer of KUB, or any successor thereunder pursuant to the terms thereof;

(p) "Refunding Escrow Agreement" shall mean the Refunding Escrow Agreement, dated as of the date of the Series U-2015 Bonds to be entered into by and between KUB and the Refunding Escrow Agent in substantially the form attached hereto as Exhibit B, subject to such changes therein as shall be permitted by Section 13 hereof;

(q) "Registration Agent" shall mean the registration and paying agent for the Series U-2015 Bonds designated by the President and Chief Executive Officer of KUB, or any successor as designated by the Board;

(r) "Series U-2015 Bonds" shall mean the City's Gas System Revenue Refunding Bonds, Series U-2015, dated the date of their issuance or such other date as shall be determined by the Board pursuant to Section 10 hereof, authorized to be issued by the 1988 Resolution and this resolution in an aggregate principal amount not to exceed \$12,900,000;

(s) "State" shall mean the State of Tennessee; and

(t) "Underwriter" shall mean an investment banking firm qualified to underwrite bonds such as the Series U-2015 Bonds in the State of Tennessee selected by the President and Chief Executive Officer of KUB.

Section 3. Declarations. It is hereby determined that all requirements of the 1988 Resolution have been or will have been met upon the issuance of the Series U-2015 Bonds so that the Series U-2015 Bonds will be issued as Parity Bonds.

Section 4. Findings of the Governing Body. It is hereby found and determined by the Governing Body as follows:

(a) The refunding of the Refunded Bonds as set forth herein through the issuance of the Series U-2015 Bonds will result in a reduction in debt service payable by the City and KUB over the term of the Refunded Bonds, thereby effecting a cost savings to the System; and

(b) It is advantageous to the City and KUB to deposit a portion of the proceeds from the sale of the Series U-2015 Bonds and other funds of KUB, if any, with the Refunding Escrow Agent pursuant to the Refunding Escrow Agreement which, together with investment income thereon, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Bonds, provided, that KUB may dispense with the use of a Refunding Escrow Agreement to the extent permitted by Section 13 hereof.

Section 5. Authorization and Terms of the Series U-2015 Bonds. (a) For the purpose of providing funds for the payment of principal of and premium and interest on the Refunded Bonds to the earliest practicable optional redemption date thereof, including the payment of legal, fiscal and administrative costs incident thereto and incident to the issuance and sale of the Series U-2015 Bonds as more fully set out in Section 10 hereof, there are hereby authorized to be issued revenue bonds of the City in the aggregate principal amount of not to exceed \$12,900,000. The Series U-2015 Bonds shall be issued in fully registered form, without coupons, shall be known as "Gas System Revenue Refunding Bonds, Series U-2015" and shall be dated the date of their issuance or such other date as shall be determined by the Board or the President and Chief Executive Officer of KUB as its designee pursuant to Section 10 hereof. The Series U-2015 Bonds shall bear interest at a rate or rates not to exceed five percent (5.00%) per annum, payable semi-annually on March 1 and September 1 in each year, commencing September 1, 2015 or such later date as is permitted pursuant to Section 10 hereof. The Series U-2015 Bonds shall be initially issued in \$5,000 denominations or integral multiples thereof as shall be requested by the purchaser thereof. The Series U-2015 Bonds shall mature and be payable either serially or through mandatory redemption on each March 1 in such years as is established by the Board or the President and Chief Executive Officer of KUB as its designee pursuant to Section 10, provided that the final maturity date shall not be later than March 1, 2031 and the Series U-2015 Bonds shall not have an average weighted maturity in excess of the average weighted maturity of the Refunded Bonds. The final maturity schedule shall be established by the award resolution or certificate awarding the Series U-2015 Bonds to the successful purchaser thereof or in the Bond Purchase Agreement provided for in Section 10 if the Series U-2015 Bonds are sold by negotiated sale.

(b) Subject to adjustment pursuant to Section 10 hereof, the Series U-2015 Bonds maturing on or before March 1, 2025 shall mature without option of prior redemption. Series U-2015 Bonds maturing on March 1, 2026 and thereafter shall be subject to redemption prior to maturity at the option of the City, acting through the Board, on or after March 1, 2025, as a whole or in part at any time at a redemption price equal to the principal amount plus interest accrued to the redemption date.

If less than all the Series U-2015 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its discretion. If less than all the Series U-2015 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 U-2015 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Series U-2015 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 U-2015 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series U-2015 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.

(c) Pursuant to Section 10 hereof, KUB is authorized to sell the Series U-2015 Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as determined by KUB. In the event any or all the Series U-2015 Bonds are sold as term bonds, KUB shall redeem term bonds on redemption dates corresponding to the maturity dates set forth in the award resolution or certificate awarding the Series U-2015 Bonds, in amounts so as to achieve an amortization of the indebtedness approved by the Board or the President and Chief Executive Officer of KUB as its designee. DTC, as Depository for the Series U-2015 Bonds, or any successor Depository for the Series U-2015 Bonds, shall determine the interest of each Participant in the Series U-2015 Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as Depository for the Series U-2015 Bonds, the Series U-2015 Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, KUB may (i) deliver to the Registration Agent for cancellation Series U-2015 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series U-2015 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 Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series U-2015 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of KUB on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series U-2015 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. KUB shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration 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.

(d) Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent 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 U-2015 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the 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 U-2015 Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Series U-2015 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series U-2015 Bonds, as and when above provided, and neither KUB, the City, nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial

Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices, in the case of term bonds with mandatory redemption requirements as and when provided herein and in the Series U-2015 Bonds and, in the case of optional redemption, as and when directed by the Board pursuant to written instructions from an authorized representative of the Board given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Series U-2015 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City or KUB to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

(e) The Series U-2015 Bonds shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf, of the City with the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

(f) The City hereby authorizes and directs the Board to appoint a Registration Agent and paying agent for the Series U-2015 Bonds, and the Registration Agent so appointed is authorized and directed to maintain Bond registration records with respect to the Series U-2015 Bonds, to authenticate and deliver the Series U-2015 Bonds as provided herein, either at original issuance, upon transfer, or as otherwise directed by the Board, to effect transfers of the Series U-2015 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series U-2015 Bonds as provided herein, to cancel and destroy Series U-2015 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish KUB at least annually a certificate of destruction with respect to Series U-2015 Bonds canceled and destroyed, and to furnish KUB at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Series U-2015 Bonds. The payment of all reasonable fees and expenses of the Registration Agent for the discharge of its duties and obligations hereunder or under any such agreement is hereby authorized and directed. The Board hereby delegates to the President and Chief Executive Officer of KUB the authority to select and appoint the Registration Agent and any paying agents for the Series U-2015 Bonds and to select and appoint the Refunding Escrow Agent (as well as any successors to any of the foregoing). The Chair of the Board is hereby authorized to execute and the Secretary of the Board is hereby authorized to attest such written agreement between KUB and the Registration Agent as they shall deem necessary or proper with respect to the obligations, duties and rights of the Registration Agent.

(g) The Series U-2015 Bonds shall be payable, principal and interest, in lawful money of the United States of America at the principal corporate trust office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Bonds on each interest payment date directly to the registered owners as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Series U-2015 Bonds, and all such payments shall discharge the obligations of KUB in respect of such Series U-2015 Bonds to the extent of the payments so made. Payment of principal of the Series U-2015 Bonds shall be made upon presentation and surrender of such Series U-2015 Bonds to the Registration Agent as the same shall become due and payable. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each. In the event the Series U-2015 Bonds are no longer registered in the name of DTC, or a successor Depository, if requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Series U-2015 Bonds, payment of interest on such Series U-2015 Bonds shall be paid by wire

transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

(h) Any interest on any Series U-2015 Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid to the persons in whose names the Series U-2015 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: KUB shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series U-2015 Bond and the date of the proposed payment, and at the same time KUB shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify KUB of such Special Record Date and, in the name and at the expense of KUB, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in the Series U-2015 Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of KUB to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Series U-2015 Bonds when due.

(i) The Series U-2015 Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Series U-2015 Bond(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Series U-2015 Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series U-2015 Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Series U-2015 Bond or Series U-2015 Bonds to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Series U-2015 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series U-2015 Bond, nor to transfer or exchange any Series U-2015 Bond after notice calling such Series U-2015 Bond for redemption has been made, nor to transfer or exchange any Series U-2015 Bond during the period following the receipt of instructions from KUB to call such Series U-2015 Bond for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Series U-2015 Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Series U-2015 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither KUB nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Series U-2015 Bonds shall be overdue. Series U-2015 Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Series U-2015 Bonds of the same maturity in any authorized denomination or denominations. This subsection shall be applicable only if the Series U-2015 Bonds are no longer held by a Depository, and as long as the Series U-2015 Bonds are held by a Depository,

transfers of ownership interests in the Series U-2015 Bonds shall be governed by the rules of the Depository.

(j) Except as otherwise authorized herein, the Series U-2015 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as the Depository for the Series U-2015 Bonds except as otherwise provided herein. References in this Section to a Series U-2015 Bond or the Series U-2015 Bonds shall be construed to mean the Series U-2015 Bond or the Series U-2015 Bonds that are held under the Book-Entry System. One Series U-2015 Bond for each maturity of the Series U-2015 Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. The Bond Registrar is a custodian and agent for DTC, and the Bond will be immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series U-2015 Bonds in authorized denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Series U-2015 Bonds. Beneficial ownership interests in the Series U-2015 Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive the Series U-2015 Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Series U-2015 Bonds. Transfers of ownership interests in the Series U-2015 Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES U-2015 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE SERIES U-2015 BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES U-2015 BONDS, RECEIPT OF NOTICES, VOTING AND TAKING OR NOT TAKING, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Series U-2015 Bonds, so long as DTC is the only owner of the Series U-2015 Bonds, shall be paid by the Registration Agent directly to DTC or its nominee, Cede & Co. as provided in the Letter of Representation relating to the Series U-2015 Bonds from the City, acting by and through KUB, and the Registration Agent to DTC (the "Letter of Representation"). DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. Neither the City, KUB nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as Depository for the Series U-2015 Bonds or (2) to the extent permitted by the rules of DTC, the Board determines to discontinue the Book-Entry System, the Book-Entry System with DTC shall be discontinued. If the Board fails to identify another qualified securities depository to replace DTC, the Board shall cause the Registration Agent to authenticate and deliver replacement Series U-2015 Bonds in the form of fully registered Series U-2015 Bonds to each Beneficial Owner.

NEITHER THE CITY, KUB NOR THE REGISTRATION AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE SERIES U-2015 BONDS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN

RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES U-2015 BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS, (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES U-2015 BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

If the purchaser or Underwriter certifies that it intends to hold the Series U-2015 Bonds for its own account, then the City may issue certified Bonds without the utilization of DTC and the Book-Entry System.

(k) In case any Series U-2015 Bond shall become mutilated, or be lost, stolen, or destroyed, the City, acting by and through KUB, in its discretion, shall issue, and the Registration Agent, upon written direction from KUB, shall authenticate and deliver, a new Series U-2015 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series U-2015 Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series U-2015 Bond, or if any such Series U-2015 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series U-2015 Bond KUB may pay or authorize payment of such Series U-2015 Bond without surrender thereof. In every case the applicant shall furnish evidence satisfactory to KUB and the Registration Agent of the destruction, theft or loss of such Series U-2015 Bond, and indemnity satisfactory to KUB and the Registration Agent; and KUB may charge the applicant for the issue of such new Series U-2015 Bond an amount sufficient to reimburse KUB for the expense incurred by it in the issue thereof.

(l) The Registration Agent is hereby authorized to authenticate and deliver the Series U-2015 Bonds to DTC, on behalf of the initial purchaser thereof, or an agent of DTC, upon receipt by KUB of the proceeds of the sale thereof, subject to the rules of the depository, and to authenticate and deliver Series U-2015 Bonds in exchange for Series U-2015 Bonds of the same principal amount delivered for transfer upon receipt of the Series U-2015 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series U-2015 Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an authorized representative thereof on the certificate set forth herein on the Series U-2015 Bond form.

(m) The Registration Agent is hereby authorized to take such action as may be necessary from time to time to qualify and maintain the Series U-2015 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series U-2015 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series U-2015 Bonds and provision of notices with respect to Series U-2015 Bonds registered by 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 Beneficial Owners of the Series U-2015 Bonds, provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this section.

Section 6. Source of Payment. The Series U-2015 Bonds shall be payable solely from and be secured by a pledge of the Net Revenues of the System as hereinafter provided and as provided in the 1988 Resolution on a parity and equality of lien with the Outstanding Bonds. The punctual payment of principal of and interest on the Series U-2015 Bonds, the Outstanding Bonds and any Parity Bonds shall be secured equally and ratably by the Net Revenues of the System, without priority by reason of series, number or time of sale and delivery. The owners of the Series U-2015 Bonds shall have no recourse to the power of taxation of the City.



York ("DTC"), which will act as securities depository for the Bonds of the series of which this Bond is one. One Bond for each maturity of the Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. The Bond Registrar is a custodian and agent for DTC, and the Bond will be immobilized in its custody. A book-entry system (the "Book-Entry System") shall be employed, evidencing ownership of the Bonds in \$5,000 denominations, or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants, as defined in the Resolution, pursuant to rules and procedures established by DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the City, KUB and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Resolution, including receipt of all principal of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or taking or not taking, or consenting to, certain actions hereunder. Payments of principal, maturity amounts, interest, and redemption premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners, as defined in the Resolution. Neither the City, KUB, nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants. In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) to the extent permitted by the rules of DTC, the Board determines to discontinue the Book-Entry System, the Book-Entry System with DTC shall be discontinued. If the Board fails to identify another qualified securities depository to replace DTC, the Board shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the City, KUB nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or maturity amounts of and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Beneficial Owners, (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

The Bonds of the issue of which this Bond is one maturing on or before March 1, 2025 shall mature without option of prior redemption. The Bonds maturing on March 1, 2026 and thereafter shall be subject to redemption prior to maturity at the option of the City, acting through the Board, on or after March 1, 2025, as a whole or in part at any time at a redemption price equal to the principal amount plus interest accrued to the redemption date.

[If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its discretion. If less than all of the 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 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the 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 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the 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.]

[Subject to the credit hereinafter provided, the City acting by and through KUB, shall redeem Bonds maturing on the redemption dates set forth below opposite such maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Bond is one, or any successor Depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds to be Redeemed</u>
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\*final maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the City, acting through KUB, may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive credit in respect of its redemption obligation under the mandatory redemption provision for any Bonds to be redeemed which prior to said date have been purchased or redeemed (otherwise than by mandatory redemption) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under the mandatory redemption provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of KUB on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of the Bonds to be redeemed by operation of the mandatory redemption provision shall be accordingly reduced. KUB shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph 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.

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City, but only upon direction of the Board, not fewer 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 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the 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 the redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly given as set forth in the Resolution, as hereafter defined. In the case of a Conditional Redemption, the failure of the City or KUB to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.]

The Bonds of the issue of which this Bond is one are issuable only as fully registered Bonds, without coupons, in the denomination of Five Thousand Dollars (\$5,000) or any authorized integral multiple thereof. At the designated corporate trust office of the Registration Agent, in the manner and subject to the limitations, conditions and charges provided in the Resolution, fully registered Bonds may be exchanged for an equal aggregate principal amount of fully registered Bonds of the same maturity, of authorized denominations, and bearing interest at the same rate. The Bonds shall be numbered consecutively from one upwards and will be made eligible for the Book-Entry System of DTC. Except as otherwise provided in this paragraph and the Resolution, as hereinafter defined, the Bonds shall be registered in the name of Cede & Co. as nominee of DTC. The Board may discontinue use of DTC for Bonds at any time upon determination by the Board that the use of DTC is no longer in the best interest of the beneficial owners of the Bonds. Upon such determination, registered ownership of the Bonds may be transferred on the registration books maintained by the Registration Agent, and the Bonds may be delivered in physical form to the following:

- i. any successor of DTC or its nominee;
- ii. any substitute depository to which the Registration Agent does not unreasonably object, upon (a) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the Board that DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; or
- iii. any person, upon (a) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, or (b) termination by the Board of the use of DTC (or substitute depository or its successor).

In the event that this Bond is no longer held in a Book-Entry System by DTC, this Bond shall be transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the designated corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denomination or denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the City, KUB nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Board to call such Bond for redemption.

This Bond is one of a total authorized issue aggregating \$12,900,000 and issued by the City for the purpose of providing funds to refinance the outstanding principal amount of the City's outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 (the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and costs incident to the issuance of the Bonds, under and in full compliance with the Constitution and statutes of the State of Tennessee, including Sections 7-34-101 et seq. and Section 9-21-101 et seq., Tennessee Code Annotated, and pursuant to Resolution No. R-25-88

duly adopted by the City Council of the City on February 9, 1988, as supplemented and amended by Resolution No. R-59-88 duly adopted by the City Council of the City on March 22, 1988, Resolution No. R-227-91 duly adopted by the City Council of the City on June 25, 1991, Resolution No. R-471-92 duly adopted by the City Council of the City on October 13, 1992 (as amended by Resolution No. R-5-93 duly adopted by the City Council of the City on January 5, 1993), Resolution No. R-475-93 duly adopted by the City Council of the City on October 26, 1993, Resolution No. R-22-97 duly adopted by the City Council of the City on January 14, 1997, Resolution No. R-421-98 duly adopted by the City Council of the City on October 20, 1998, Resolution No. R-66-01 duly adopted by the City Council of the City on February 20, 2001, Resolution No. R-150-01 duly adopted by the City Council of the City on March 20, 2001, Resolution No. R-479-01 duly adopted by the City Council of the City on October 30, 2001, Resolution No. R-58-04 duly adopted by the City Council of the City on March 2, 2004, Resolution No. R-262-05 duly adopted by the City Council of the City on July 5, 2005, Resolution No. R-79-06 duly adopted by the City Council of the City on February 28, 2006, Resolution No. R-345-07 duly adopted by the City Council of the City on August 28, 2007, Resolution No. R-132-10 duly adopted by the City Council of the City on May 4, 2010, Resolution No. R-333-2010, duly adopted by the City Council of the City on November 2, 2010, Resolution No. R-336-2011, duly adopted by the City Council of the City on December 13, 2011, Resolution No. R-290-2012 duly adopted by the City Council of the City on October 16, 2012, Resolution No. R-322-2012, duly adopted by the City Council of the City on November 13, 2012, Resolution No. R-242-2013, duly adopted by the City Council of the City on July 23, 2013 and Resolution No. R-\_\_\_\_-2015, duly adopted by the City Council of the City on \_\_\_\_\_, 2015 (as supplemented and amended, the "Resolution").

This Bond, and interest hereon, are payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the gas distribution system of the City (the "System"), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring the System. The Bonds of the series of which this Bond is one shall enjoy complete parity and equality of lien with the City's outstanding Gas System Revenue Refunding Bonds, Series L-2005, dated August 10, 2005, maturing March 1, 2015 and thereafter, the City's Gas System Revenue Refunding Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2017 and thereafter to the extent not refunded with the proceeds of the Bonds, the City's Gas System Revenue Refunding Bonds, Series O-2010, dated June 23, 2010, maturing March 1, 2015 and thereafter, the City's Gas System Revenue Bonds, Series P-2010 (Federally Taxable Build America Bonds), dated December 8, 2010, maturing March 1, 2017 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series Q-2012, dated April 20, 2012, maturing March 1, 2015 and thereafter, the City's outstanding Gas System Revenue Bonds, Series R-2012, dated December 18, 2012, maturing March 1, 2015 and thereafter, the City's outstanding Gas System Revenue Refunding Bonds, Series S-2013, dated March 15, 2013, maturing March 1, 2015 and thereafter and the City's outstanding Gas System Revenue Bonds, Series T-2013, dated October 1, 2013, maturing March 1, 2015 and thereafter (collectively, the "Outstanding Bonds"). As provided in the Resolution, the punctual payment of principal of, premium, if any, and interest on the series of Bonds of which this Bond is one, the Outstanding Bonds, and any other bonds issued on a parity therewith pursuant to the terms of the Resolution shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. The owner of this Bond shall have no recourse to the power of taxation of the City. The Board has covenanted that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond and the issue of which it is a part, as each payment becomes due. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

Under existing law, this Bond and the income therefrom are exempt from all present state, county and municipal taxation in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on this Bond during the period such Bond is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of this Bond in the Tennessee franchise tax base or any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is hereby certified, recited, and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of either the City or KUB, does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

IN WITNESS WHEREOF, the City acting by and through the Board has caused this Bond to be signed by the Chair of the Board by her manual or facsimile signature and attested by the Secretary of the Board by his manual or facsimile signature, all as of the date hereinabove set forth.

CITY OF KNOXVILLE  
by and through the  
KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
Chair

ATTESTED:

\_\_\_\_\_  
Secretary

Transferable and payable at the  
designated corporate trust office of: \_\_\_\_\_  
\_\_\_\_\_, Tennessee

Date of Registration: \_\_\_\_\_

This Bond is one of the issue of Bonds issued pursuant to the Resolution hereinabove described.

\_\_\_\_\_  
Registration Agent

By: \_\_\_\_\_  
Authorized Representative

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto \_\_\_\_\_, [Please insert Federal Tax Identification Number or Social Security

Number of Assignee \_\_\_\_\_] whose address is \_\_\_\_\_, the within bond of the City of Knoxville, Tennessee, and does hereby irrevocably constitute and appoint \_\_\_\_\_, \_\_\_\_\_, Tennessee, attorney, to transfer the said bond on the records kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

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

Signature guaranteed:

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

Section 8. Equality of Lien; Pledge of Net Revenues. The punctual payment of principal of, premium, if any, and interest on the Series U-2015 Bonds, the Outstanding Bonds and any Parity Bonds shall be secured equally and ratably by the Net Revenues of the System without priority by reason of series, number or time of sale or execution or delivery, and the Net Revenues of the System are hereby irrevocably pledged to the punctual payment of such principal, premium and interest as the same become due.

Section 9. Applicability of the 1988 Resolution. The Series U-2015 Bonds are issued in compliance with the 1988 Resolution so as to be on a parity with the Outstanding Bonds, and, when duly delivered, the Series U-2015 Bonds shall constitute a series of bonds issued under the authority of the 1988 Resolution. All recitals, provisions, covenants and agreements contained in the 1988 Resolution, as supplemented and amended herein (except insofar as any of said recitals, provisions, covenants and agreements necessarily relate exclusively to any series of the Outstanding Bonds) are hereby ratified and confirmed and incorporated herein by reference and, for so long as any of the Series U-2015 Bonds shall be outstanding and unpaid either as to principal or interest, or until discharge and satisfaction of the Series U-2015 Bonds as provided in Section 12 hereof, shall be applicable to the Series U-2015 Bonds, shall inure to the benefit of owners of the Series U-2015 Bonds as if set out in full herein, and shall be fully enforceable by the owner of any Series U-2015 Bond.

All references to "holder" or "holders" in the 1988 Resolution shall be deemed to include owners of the Series U-2015 Bonds, and all references to "Bonds" in the 1988 Resolution shall be deemed to include the Series U-2015 Bonds.

Section 10. Sale of Series U-2015 Bonds.

(a) The Series U-2015 Bonds or any emission thereof may be sold at negotiated sale to the Underwriter or at public sale as determined by the President and Chief Executive Officer of KUB at a price of not less than 98.00% of par, exclusive of original issue discount, plus accrued interest, if any, provided, however, that no emission of Series U-2015 Bonds may be sold at negotiated sale unless the Audit and Finance Committee of the Board has previously approved the sale of such emission at

negotiated sale. The sale of any emission of the Series U-2015 Bonds to the Underwriter or by public sale shall be binding on the City and KUB, and no further action of the Board with respect thereto shall be required.

(b) The President and Chief Executive Officer of KUB, as the designee of the Board, is further authorized with respect to each emission of Series U-2015 Bonds to:

- (1) change the dated date to a date other than the date of issuance;
- (2) specify the series designation or change the designation of the Series U-2015 Bonds to a designation other than "Gas System Revenue Refunding Bonds";
- (3) change the first interest payment date to a date other than September 1, 2015, provided that such date is not later than twelve months from the dated date of such emission of Series U-2015 Bonds;
- (4) adjust the principal and interest payment dates and determine maturity or mandatory redemption amounts of the Series U-2015 Bonds or any emission thereof, provided that (A) the total principal amount of all emissions of the Series U-2015 Bonds does not exceed the total amount of Series U-2015 Bonds authorized herein; (B) the final maturity date of each emission shall be not later than March 1, 2031; and (C) the debt service schedule is substantially the same as what was presented to the State Director in connection with requesting a report on the refunding;
- (5) modify or remove the optional redemption provisions contained herein, provided that the premium amount to be paid in connection with any redemption provision shall not exceed two percent (2%) of the principal amount thereof;
- (6) sell the Series U-2015 Bonds, or any emission thereof, or any maturities thereof as term bonds with mandatory redemption requirements as determined by the Board, as it shall deem most advantageous to KUB; and
- (7) cause all or a portion of the Series U-2015 Bonds to be insured by a bond insurance policy issued by a nationally recognized bond insurance company to achieve the purposes set forth herein and to serve the best interests of KUB and to enter into agreements with such insurance company to the extent not inconsistent with this Resolution.

(c) If any emission of Series U-2015 Bonds is sold at negotiated sale, the President and Chief Executive Officer of KUB is authorized to execute a Bond Purchase Agreement with respect to such emission of Series U-2015 Bonds, providing for the purchase and sale of the Series U-2015 Bonds, or any emission thereof. Each Bond Purchase Agreement shall be in substantially the form attached hereto as Exhibit A, with such changes as the President and Chief Executive Officer deems necessary or advisable in connection with the sale of such Series U-2015 Bonds, provided any such changes are not inconsistent with the terms of this Section. If the Underwriter does not intend to reoffer the Series U-2015 Bonds to the public, then the Bond Purchase Agreement shall be conformed to reflect such intention. The form of the Series U-2015 Bond set forth in Section 7 hereof shall be conformed to reflect any changes made pursuant to this Section 10.

(d) The President and Chief Executive Officer and the Chief Financial Officer of KUB, or either of them, are authorized to cause the Series U-2015 Bonds, in book-entry form (except as otherwise authorized herein), to be authenticated and delivered by the Registration Agent to the purchaser(s), and to execute, publish, and deliver all certificates and documents, including an official statement, the Bond

Purchase Agreement and closing certificates, as they shall deem necessary in connection with the sale and delivery of each emission of the Bonds.

(e) If the Series U-2015 Bonds are sold at public sale, the Series U-2015 Bonds shall be awarded by the President and Chief Executive Officer of KUB to the bidder that offers to purchase the Bonds for the lowest true interest cost to KUB.

Section 11. Disposition of Series U-2015 Bond Proceeds. The proceeds of the sale of the Series U-2015 Bonds shall be paid to KUB and used and applied by KUB as follows:

(a) All accrued interest, if any, shall be deposited to the Debt Service Fund created under the 1988 Resolution and used to pay interest on the Series U-2015 Bonds on the first interest payment date following delivery of the Series U-2015 Bonds;

(b) An amount, which together with investment earnings thereon and legally available funds of KUB, if any, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Bonds (subject to adjustments permitted by Section 10 above), shall be transferred to the Refunding Escrow Agent under the Refunding Escrow Agreement to be deposited to the Escrow Fund established thereunder to be held and applied as provided therein; and

(c) The remainder shall be applied to the payment of costs of issuance relating to the U-2015 Bonds. If there are any remaining proceeds of the Series U-2015 Bonds after application as provided above, such remaining proceeds shall be used to pay principal and/or interest on the Series U-2015 Bonds.

Section 12. Discharge and Satisfaction of Series U-2015 Bonds. If KUB, on behalf of the City, shall pay and discharge the indebtedness evidenced by any of the Series U-2015 Bonds or Parity Bonds (referred to hereinafter, collectively, in this Section as the "Bonds") in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any financial institution which has trust powers and which is regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency ("an Agent"; which Agent may be the Registration Agent), in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if KUB, on behalf of the City, shall also pay or cause to be paid all other sums payable hereunder by KUB or the City with respect to such Bonds or make adequate provision therefor, and by resolution of the Board instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, liens, pledges, agreements and obligations entered into, created, or imposed hereunder, including the pledge of and lien on the Net Revenues of the System set forth herein, shall be fully discharged and

satisfied with respect to such Bonds and the owners thereof and shall thereupon cease, terminate and become void.

If KUB, on behalf of the City, shall pay and discharge or cause to be paid and discharged the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to KUB as received by the Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments, to the extent not needed for the payment of such principal, premium and interest, shall be paid over to KUB, as received by the Agent. For the purposes of this Section, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee Law for the purposes described in this Section, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

No redemption privilege shall be exercised with respect to the Series U-2015 Bonds or any Parity Bonds except at the option and election of the Board. The right of redemption set forth herein shall not be exercised by any Registration Agent or Agent unless expressly so directed in writing by an authorized representative of the Board.

Section 13. Refunding Escrow Agreement. For the purpose of providing for the payment of the principal of, premium, if any, and interest on the Refunded Bonds, the President and Chief Executive Officer of KUB is hereby authorized and directed to execute and the Secretary of the Board to attest on behalf of KUB a Refunding Escrow Agreement with the Refunding Escrow Agent and to deposit with the Refunding Escrow Agent the amounts to be used by the Refunding Escrow Agent to purchase Defeasance Obligations as provided therein; provided, however, that the yield on such investments shall be determined in such manner that none of the Series U-2015 Bonds will be an "arbitrage bond" within the meaning of Section 148 (a) of the Code. The President and Chief Executive Officer of KUB and the Secretary of the Board are hereby authorized and directed to execute and deliver the Refunding Escrow Agreement on behalf of KUB in such form as is approved by the President and Chief Executive Officer of KUB and the Secretary of the Board, their execution thereof to constitute conclusive evidence of their approval of such form of the Refunding Escrow Agreement. The Refunding 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 interest on the Refunded Bonds and to exercise such duties as set forth in the Refunding Escrow Agreement.

Section 14. Notice of Refunding. Prior to the issuance of the Series U-2015 Bonds, notice of the City's intention to refund the Refunded Bonds, to the extent required by applicable law, shall be given by the registration agent for the Refunded Bonds to be mailed by first-class mail, postage prepaid, to the registered holders thereof, as of the date of the notice, as shown on the bond registration records

maintained by such registration agent of said Refunded Bonds. The President and Chief Executive Officer of KUB and the Secretary of the Board, or either of them, is hereby authorized and directed to authorize the registration agent of said Refunded Bonds to give such notice on behalf of the City in accordance with this Section.

Section 15. Federal Tax Matters. The City and KUB recognize that the purchasers and owners of the Series U-2015 Bonds will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon will not be included in gross income for purposes of federal income taxation under laws in force on the date of delivery of the Series U-2015 Bonds. In this connection, KUB, on behalf of the City, agrees that it shall take no action which may render the interest on any of the Series U-2015 Bonds includable in gross income for purposes of federal income taxation. It is the reasonable expectation of the City and KUB that the proceeds of the Series U-2015 Bonds will not be used in a manner which will cause the Series U-2015 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Series U-2015 Bonds and other related funds established for the purposes herein set out, shall be used and spent expeditiously for the purposes described herein. In the event Section 148(f) of the Code shall require the payment of any investment proceeds of the Series U-2015 Bonds to the United States government, KUB 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 Series U-2015 Bonds from becoming taxable. The Chair of the Board, the Secretary of the Board, the President and Chief Executive Officer of KUB and Chief Financial Officer of KUB, or any of them, are authorized and directed to make such certifications in this regard in connection with the sale of the Bonds as any or all shall deem appropriate, and such certifications shall constitute a representation and certification of the City and KUB.

Section 16. Official Statement. The President and Chief Executive Officer of KUB, or her designee, is hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement describing the Series U-2015 Bonds. After the Series U-2015 Bonds have been awarded, the President and Chief Executive Officer of KUB, or her designee, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The President and Chief Executive Officer of KUB, or her designee, shall arrange for the delivery to the purchaser of the Series U-2015 Bonds of a reasonable number of copies of the Official Statement within seven business days after the Series U-2015 Bonds have been awarded for delivery, by the purchaser of the Series U-2015 Bonds, to each potential investor requesting a copy of the Official Statement and to each person to whom such purchaser and members of his group initially sell the Series U-2015 Bonds.

The President and Chief Executive Officer of KUB, or her designee is authorized, on behalf of the Board, 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 Board except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 17. Continuing Disclosure. The City hereby covenants and agrees that KUB will provide annual financial information and material event notices for the Series U-2015 Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. The Chief Financial Officer of KUB is authorized to execute at the closing of the sale of the Series U-2015 Bonds, an agreement for the benefit of and enforceable by the owners of the Series U-2015 Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of KUB 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 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause KUB to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

Section 18. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 19. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflict, hereby repealed and this resolution shall be in immediate effect from and after its adoption.

Adopted and approved this \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Recorder

STATE OF TENNESSEE     )  
  )  
COUNTY OF KNOX        )

I, Cindy A. Mitchell, hereby certify that I am the duly qualified and acting City Recorder of the City of Knoxville, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a regular meeting of the governing body of the City Council held on Tuesday, \_\_\_\_\_, 2015; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original records relate to an amount not to exceed \$12,900,000 Gas System Revenue Refunding Bonds, Series U-2015.

WITNESS my official signature and seal of the City of Knoxville, Tennessee, this \_\_\_\_ day of \_\_\_\_\_, 2015.

(seal)

\_\_\_\_\_  
City Recorder

**EXHIBIT A**

**\$12,900,000**  
**CITY OF KNOXVILLE, TENNESSEE**  
**ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD**  
**GAS SYSTEM REVENUE REFUNDING BONDS, SERIES U-2015**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 201\_\_

Knoxville Utilities Board  
445 South Gay Street  
Knoxville, Tennessee 37902

Gentlemen:

The undersigned (the "Underwriter") offers to enter into this agreement with Knoxville Utilities Board ("KUB") which, upon your acceptance of this offer, will be binding upon you and upon us.

This offer is made subject to your acceptance of this agreement on or before 5:00 p.m., Eastern Standard Time, on \_\_\_\_\_, 201\_\_.

1. Purchase Price.

Upon the terms and conditions and upon the basis of the respective representations, warranties and covenants set forth herein, the Underwriter hereby agrees to purchase from KUB, and KUB hereby agrees to sell to the Underwriter, all (but not less than all) of \$12,900,000 aggregate principal amount of KUB's Gas System Revenue Refunding Bonds, Series U-2015 (the "Bonds"). The purchase price is \$\_\_\_\_\_ plus accrued interest and shall be paid in accordance with paragraph 6 hereof. The purchase price is equal to the par amount of the Bonds less \$\_\_\_\_\_ original issue discount, less \$\_\_\_\_\_ underwriter's discount and plus accrued interest. The Bonds are to be issued under and pursuant to, and are to be secured by the Resolution (collectively, the "Bond Resolution") adopted on \_\_\_\_\_, 2015, by the City Council of the City of Knoxville (the "City") at the request of KUB. The Bonds shall mature on the dates and shall bear interest at the rates all as described in the Official Statement referred to in Section 3 hereof. The maturities, rates and discount at which the Bonds are being sold are more fully described on **Schedule I** attached hereto.

The Bonds are being issued to provide funds to refinance the outstanding principal amount of the City's outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 (the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the Bonds.

2. Public Offering.

The Underwriter intends to make an initial bona fide public offering of all of the Bonds at not in excess of the public offering prices set forth on the cover of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover of the Official Statement. The Underwriter reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market; and (ii) to discontinue such stabilizing, if commenced at any time without prior notice.

3. Official Statement.

(a) KUB has provided the Underwriter with information that constitutes a "deemed final" official statement for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12"). Concurrently with KUB's acceptance of this Bond Purchase Agreement, KUB shall deliver or cause to be delivered to the Underwriter two copies of the Official Statement (as hereinafter defined) relating to the Bonds dated the date hereof substantially in the same form as the Preliminary Official Statement with only such changes as shall have been accepted by the Underwriter.

(b) Within seven (7) business days from the date hereof and within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, KUB shall deliver to the Underwriter copies of the Official Statement of KUB, dated the date hereof, relating to the Bonds, in sufficient quantity as may reasonably be requested by the Underwriter in order to comply with Rule 15c2-12 and any applicable rules of the Municipal Securities Rulemaking Board, in substantially the form approved by KUB (which, together with the cover page, and all exhibits, appendices, and statements included therein or attached thereto and any amendments and supplements that may be authorized for use with respect to the Bonds is herein called the "Official Statement"), executed on behalf of KUB by a duly authorized officer of KUB. You hereby authorize and approve the Official Statement and other pertinent documents referred to in Section 6 hereof to be lawfully used in connection with the offering and sale of the Bonds. You also acknowledge and ratify the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement in connection with a public offering of the Bonds.

(c) If, prior to the Closing (as defined in Section 5 below) or within twenty-five (25) days subsequent to the end of the underwriting period as such term is used for purposes of Rule 15c2-12, any event shall occur with respect to KUB or KUB shall receive notice of the occurrence of any other event that might or would cause the information contained in the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, KUB shall so notify the Underwriter. KUB agrees to amend or supplement the Official Statement whenever requested by the Underwriter when in the reasonable judgment of the Underwriter such amendment or supplementation is required and to furnish the Underwriter with sufficient quantities of such amendment or supplement in order to permit the Underwriter to comply with Rule 15c2-12.

4. Representations and Warranties.

KUB hereby represents and warrants to the Underwriter that:

(a) KUB is duly existing pursuant to the Charter of the City and is authorized by such Charter to operate and manage the System. KUB has duly authorized all necessary action to be taken by it for: (i) the issuance and sale of the Bonds upon the terms set forth herein and in the Official Statement; (ii) the approval of the Official Statement and the signing of the Official Statement by a duly

authorized officer; (iii) the execution, delivery and receipt of this Bond Purchase Agreement, the Bonds and any and all such other agreements and documents as may be required to be executed, delivered and received by KUB in order to carry out, give effect to, and consummate the transactions contemplated hereby, by the Bonds, the Official Statement and the Bond Resolution;

(b) When executed by the respective parties thereto, this Bond Purchase Agreement will constitute legal, valid and binding obligation of KUB enforceable in accordance with its terms;

(c) The information and statements contained in the Preliminary Official Statement, as of its date and as of the date hereof, did not and do not contain any untrue statement of a material fact or omit to state any material fact which was necessary in order to make such information and statements, in the light of the circumstances under which they were made, not misleading;

(d) The information and statements contained in the Official Statement, as of its date and as of the Closing, are and will be correct and complete in all material respects and do not and will not contain any untrue statement of a material fact or omit to state any material fact which is necessary in order to make such information and statements, in the light of the circumstances under which they were made, not misleading;

(e) KUB has complied, and will at the Closing be in compliance, in all respects with the obligations on its part contained in the Bond Resolution and the laws of the State of Tennessee (the "State"), including the Act;

(f) The City has duly adopted the Bond Resolution, and the City and KUB have (a) duly authorized and approved the distribution of the Preliminary Official Statement, (b) duly authorized and approved the execution and delivery of the Official Statement, (d) duly authorized and approved the execution and delivery of, and the performance by KUB of the obligations on its part contained in, the Bonds, the Bond Resolution and this Bond Purchase Agreement, and (e) duly authorized and approved the consummation by it of all other transactions contemplated by this Bond Purchase Agreement and the Official Statement;

(g) KUB is not in breach of or default under any applicable law or administrative regulation of the State or the United States in any manner related to or affecting the transactions contemplated hereby or in breach of or default under any applicable judgment or decree or any loan agreement, note, resolution, ordinance, agreement or other instrument to which KUB is a party or to which it or any of its property is otherwise subject; and the execution and delivery of this Bond Purchase Agreement, the Bonds and the adoption of the Bond Resolution, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, ordinance, agreement or other instrument to which KUB is a party or to which it or any of its property is otherwise subject;

(h) Except as may be required under the securities or "blue sky" laws of any state, all approvals, consents, authorizations and orders of, filings with or certifications by any governmental authority, board, agency or commission having jurisdiction, which would constitute a condition precedent to the performance by KUB of its obligations hereunder and under the Bond Resolution and the Bonds, have been obtained;

(i) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of KUB, threatened against KUB or others (a) affecting KUB or the corporate existence of KUB or the titles of its officers to their respective offices, (b) seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of Net Revenues pledged to pay the principal of and interest on the Bonds, or the pledge

thereof, (c) in any way contesting or affecting the transactions contemplated hereby or by the Official Statement or by the validity or enforceability of the Bonds, the Bond Resolution or this Bond Purchase Agreement, (d) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or (e) contesting the powers or authority of KUB for the issuance of the Bonds, the adoption of the Bond Resolution or the execution and delivery of this Bond Purchase Agreement;

(j) KUB will not take or omit to take any action that will in any way cause the proceeds from the sale of the Bonds and other moneys of KUB to be transferred on the date of issuance of the Bonds to be applied or result in such proceeds and other moneys being applied in a manner other than as provided in or permitted by the Bond Resolution and consistent with the utilization described in the Official Statement;

(k) KUB agrees reasonably to cooperate with the Underwriter and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Underwriter may request. KUB hereby consents to the use of the Official Statement and the Bond Resolution by the Underwriter in obtaining any qualification required;

(l) If at any time from the date of this Bond Purchase Agreement through 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12 described below) any event shall occur that might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, KUB shall notify the Underwriter and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, KUB will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. If the Official Statement is so supplemented or amended prior to the Closing, such approval by the Underwriter of a supplement or amendment to the Official Statement shall not preclude the Underwriter from thereafter terminating this Bond Purchase Agreement, and if the Official Statement is so amended or supplemented subsequent to the date hereof and prior to the Closing, the Underwriter may terminate this Bond Purchase Agreement by notification to KUB at any time prior to the Closing if, in the judgment of the Underwriter, such amendment or supplement has or will have a material adverse effect on the marketability of the Bonds;

(m) KUB has duly authorized and approved the execution and delivery of this Bond Purchase Agreement and the performance by KUB of the obligations on its part contained herein;

(n) KUB is not, nor has it at any time, been in default in the payment of principal of or interest on any obligation issued or guaranteed by KUB;

(o) Any certificate signed by an authorized officer of KUB and delivered to the Underwriter at or prior to the Closing shall be deemed a representation and warranty by KUB in connection with this Bond Purchase Agreement to the Underwriter as to the statements made therein upon which the Underwriter shall be entitled to rely. KUB covenants that between the date hereof and the Closing, it will not take any action that will cause the representations and warranties made herein to be untrue as of the Closing;

(p) The Bonds, when issued, authenticated and delivered in accordance with the Bond Resolution and sold to the Underwriter as provided herein, will be validly issued and outstanding special obligations of KUB entitled to the benefits of the Bond Resolution;

(q) KUB has lawful authority to operate the System, to consummate the transactions contemplated by the Official Statement and collect revenues, fees and other charges in connection with

the System and through its Board of Commissioners, to fix the rates, fees and other charges with respect to the System; and

(r) KUB hereby covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about KUB, for the benefit of the beneficial owners of the Bonds on or before the date of delivery of the Bonds as required under paragraph (b)(5) of Rule 15c2-12. The Undertaking shall be as described in the Preliminary Official Statement, with such changes as may be agreed in writing by the Underwriter. KUB represents that it has complied in all respects with its obligations to provide continuing disclosure of certain information as described in that certain Continuing Disclosure Certificate entered into in connection with the issuance of the Bonds.

5. Delivery of, and Payment for, the Bonds.

At 10:00 a.m. on or about \_\_\_\_\_, 201\_\_, or at such other time or date as shall have been mutually agreed upon by KUB and the Underwriter, KUB will deliver, or cause to be delivered, to the Underwriter the other documents hereinafter mentioned and, subject to the conditions contained herein, the Underwriter will accept such delivery and pay the purchase price of the Bonds plus accrued interest payable to the order of KUB, in federal funds or other immediately available funds by delivering to KUB such funds by wire transfer to KUB or its designated agent except that physical delivery of the Bonds shall be made through the facilities of the Depository Trust Company.

Payment for the Bonds shall be confirmed and delivery of the documents as aforesaid shall be made at the offices of KUB, or such other place as may be agreed upon by the Underwriter and KUB. Such payment and delivery is herein called the "Closing." The Bonds will be delivered as fully registered bonds in such names and in such denominations as shall be designated in writing by the Underwriter to KUB at Closing.

6. Certain Conditions to Underwriter's Obligations.

The obligations of the Underwriter hereunder shall be subject to (i) the performance by KUB of its obligations to be performed hereunder, (ii) the accuracy in all material respects of the representations and warranties of KUB herein as of the date hereof and as of the date of the Closing, and (iii) to the following conditions:

(a) At the time of Closing, (i) the Bond Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, (ii) the proceeds of the sale of the Bonds shall be applied as described in the Official Statement, and (iii) KUB shall have duly adopted and there shall be in full force and effect such other resolutions as, in the opinion of Bass Berry & Sims PLC, Knoxville, Tennessee ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby;

(b) At or prior to the Closing, the Underwriter shall have received an executed copy of each of the following documents:

(1) the approving opinion, dated the date of the Closing, of Bond Counsel addressed to KUB and the Underwriter, relating to, among other things, the validity of the Bonds [and the exclusion from gross income of the interest on the Bonds for federal and State of Tennessee income tax purposes,] in substantially the form set forth as Appendix \_ to the Official Statement;

(2) a supplemental opinion, dated the date of the Closing, of Bond Counsel addressed to the Underwriter in substantially the form of Exhibit A hereto;

(3) an opinion, dated the date of the Closing, of Hodges, Doughty & Carson, Knoxville, Tennessee, counsel to KUB, addressed to KUB, Bond Counsel and the Underwriter in substantially the form of Exhibit B hereto;

(4) a certificate of KUB, dated the date of the Closing and signed by a duly authorized officer of KUB and in form and substance reasonably satisfactory to the Underwriter, to the effect that (i) since the execution of the Bond Purchase Agreement no material and adverse change has occurred in the financial position of the System or results of operations of the System; (ii) KUB has not incurred any material liabilities secured by the Net Revenues of the System other than in the ordinary course of business or as set forth in or contemplated by the Official Statement; and (iii) no event affecting KUB has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading as of the date of Closing;

(5) the Official Statement executed on behalf of KUB by a duly authorized officer thereof;

(6) the Bond Resolution and the Bonds;

(7) a certificate of a duly authorized officer of KUB, satisfactory to the Underwriter, dated the date of Closing, stating that such officer is charged, either alone or with others, with the responsibility for issuing the Bonds; setting forth, in the manner permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), the reasonable expectations of KUB as of such date as to the use of proceeds of the Bonds and of any other funds of KUB expected to be used to pay principal or interest on the Bonds and the facts and estimates on which such expectations are based; and stating that, to the best of the knowledge and belief of the certifying officer, KUB's expectations are reasonable;

(8) evidence indicating a rating on the Bonds of "\_\_\_" by [rating agency];

(9) other certificates of KUB listed on a Closing Memorandum to be approved by counsel to KUB, Bond Counsel and counsel to the Underwriter, including any certificates or representations required in order for Bond Counsel to deliver the opinion referred to in Paragraph 7(b) (1) of this Bond Purchase Agreement; and such additional legal opinions, certificates, proceedings, instruments and other documents as the counsel to the Underwriter or Bond Counsel may reasonably request to evidence compliance by KUB with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of KUB contained herein and the due performance or satisfaction by KUB at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by KUB.

All such opinions, certificates, letters, agreements and documents will be in compliance with the provisions hereof only if they are satisfactory in form and substance to the Underwriter and counsel to the Underwriter. KUB will furnish the Underwriter with such conformed copies or photocopies of such opinions, certificates, letters, agreements and documents as the Underwriter may reasonably request.

(c) The Underwriter shall have received within seven (7) business days from the date hereof and within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the Official Statement in sufficient quantity as may be reasonably requested by the Underwriter in order to comply with Rule 15(c) 2-12.

7. Termination.

The Underwriter shall have the right to cancel its obligation to purchase the Bonds if (i) between the date hereof and the Closing, legislation shall be enacted or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a bill to amend the Internal Revenue Code (which, if enacted, would take effect in whole or in part prior to the Closing) shall be filed in either house, or recommended for passage by the Congress by any joint or conference committee thereof, or a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling, regulation or statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed to be made, with respect to the federal taxation upon interest on obligations of the general character of the Bonds, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly of changing the federal income tax consequences of any of the transactions contemplated in connection herewith, including the tax-exempt status of KUB and, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, or (ii) there shall exist any event which in the Underwriter's judgment either (a) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (b) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, or (iii) there shall have occurred any outbreak of hostilities or any national or international calamity or crisis including financial crisis, or a financial crisis or a default with respect to the debt obligations of, or the institution of proceedings under the federal or the state bankruptcy laws by or against the State of Tennessee or any subdivision, agency or instrumentality of such State, the effect of which on the financial markets of the United States being such as, in the reasonable judgment of the Underwriter, would make it impracticable for the Underwriter to market the Bonds or to enforce contracts for the sale of the Bonds, or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange, or (v) a general banking moratorium shall have been declared by either federal, Tennessee or New York authorities, or (vi) there shall have occurred since the date of this Bond Purchase Agreement any material adverse change in the financial position of the System, except for changes which the Official Statement discloses have occurred or may occur, or (vii) legislation shall be enacted or any action shall be taken by the Securities and Exchange Commission which, in the opinion of counsel for the Underwriter, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Bond Resolution or any other document executed in connection with the transactions contemplated hereof to be qualified under the Trust Indenture Act of 1939, as amended, or (viii) a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the Bonds, or of obligations of the general character of the Bonds as contemplated hereby, or the offering of any other obligation which may be represented by the Bonds is in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or (ix) any state blue sky or securities commission shall have withheld registration, exemption or clearance of the offering, and in the reasonable judgment of the Underwriter the market for the Bonds is materially affected thereby.

If KUB shall be unable to satisfy any of the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement and such condition is not waived by the Underwriter, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds shall be terminated or canceled for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor KUB shall be under further obligation

hereunder; except that the respective obligations to pay expenses, as provided in Section 11 hereof, shall continue in full force and effect.

8. Particular Covenants.

KUB covenants and agrees with the Underwriter as follows:

(a) KUB shall use its best efforts to furnish or cause to be furnished to the Underwriter, without charge, as many copies of the Official Statement as the Underwriter may reasonably request;

(b) Before revising, amending or supplementing the Official Statement, KUB shall furnish a copy of the revised Official Statement or such amendment or supplement to the Underwriter. If in the opinion of KUB and the Underwriter a supplement or amendment to the Official Statement is required, KUB will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter and its counsel.

9. Survival of Representations.

All representations, warranties and agreements of KUB hereunder shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of the Bonds.

10. Payment of Expenses.

Whether or not the Bonds are sold to the Underwriter by KUB, KUB shall pay, but only out of the proceeds of the sale of the Bonds or other funds made available by KUB, any expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of the preparation and printing of the Official Statement and any supplements thereto, together with a number of copies which the Underwriter deems reasonable; (ii) the cost of the preparation and printing of the definitive Bonds; (iii) the rating agency fees; and (iv) the fees and disbursements of Counsel to KUB and Bond Counsel and any other experts or consultants retained by KUB.

Whether or not the Bonds are sold to the Underwriter, the Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds; (ii) the cost of preparing and printing the blue sky memorandum, if any, and filing fees in connection with the aforesaid blue sky memorandum other than the costs of preparation of the Preliminary Official Statement and the Official Statement; and (iii) all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds, including the fees and expenses of the Underwriter's counsel.

11. No Advisory or Fiduciary Role.

KUB acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between KUB and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and are not acting as the agent, advisor or fiduciary of KUB, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of KUB with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliates of the Underwriter, has provided other services or are currently providing other services to KUB on other matters) and the Underwriter has no obligation to KUB with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Underwriter

has financial and other interests that differ from those of KUB and (v) KUB has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

KUB and the Underwriter represent and warrant that no finder or other agent has been employed by either KUB or the Underwriter in connection with this transaction.

12. Notices.

Any notice or other communication to be given to KUB under this Bond Purchase Agreement may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

13. Parties.

This Bond Purchase Agreement is made solely for the benefit of KUB and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

14. Governing Law.

This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

15. General.

This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which will constitute one and the same instrument. The section headings of this Bond Purchase Agreement are for convenience of reference only and shall not affect its interpretation. This Bond Purchase Agreement shall become effective upon your acceptance hereof.

Very truly yours,

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Accepted and agreed to as of  
the date first above written:

KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
Senior Vice President and Chief Financial Officer

**EXHIBIT A TO BOND PURCHASE AGREEMENT**

**[LETTERHEAD OF BASS BERRY & SIMS PLC]**

[Closing Date]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Ladies and Gentlemen:

This opinion is being rendered to you pursuant to Paragraph 6(b)(2) of the Bond Purchase Agreement, dated \_\_\_\_\_, 201\_\_ (the "Bond Purchase Agreement"), between \_\_\_\_\_ (the "Underwriter"), and Knoxville Utilities Board ("KUB"), relating to the sale by KUB of its Gas System Revenue Refunding Bonds, Series U-2015, in the aggregate principal amount of \$12,900,000 (the "Bonds"). Terms which are used herein and not otherwise defined shall have the meanings assigned to them in the Bond Purchase Agreement.

Of even date herewith, we have delivered our approving opinion in connection with the issuance of the Bonds. In our capacity as Bond Counsel, we have reviewed a record of proceedings in connection with the issuance of the Bonds and we have participated in conferences from time to time with counsel to KUB, representatives of the Underwriter and counsel to the Underwriter, relative to the Official Statement, dated \_\_\_\_\_, 201\_\_, relating to the Bonds, and the related documents described below. We have also examined such other agreements, documents and certificates, and have made such investigations of law, as we have deemed necessary or appropriate in rendering the opinions set forth below.

Based on the foregoing, we are of the opinion that, as of the date hereof:

1. The offer and sale of the Bonds to the public do not require any registration under the Securities Act of 1933, as amended, and, in connection therewith, the Bond Resolution does not need to be qualified under the Trust Indenture Act of 1939, as amended.

2. The statements contained in the Official Statement under the captions "Introduction" to the extent the narrative thereunder purports to describe the terms of the Bonds and the legal authority by which they are issued, "The Bonds," and in Appendix A to the Official Statement, insofar as such statements purport to summarize certain provisions of the Bonds and the Bond Resolution, fairly summarize such provisions. The statements contained in the Official Statement under the caption "Opinion of Bond Counsel" are correct as to matters of law.

This opinion may be relied upon only by the Underwriter and by other persons to whom written permission to rely hereon is granted by us.

Very truly yours,

**EXHIBIT B TO BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 201\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Bass Berry & Sims  
900 South Gay Street, Suite 1700  
Knoxville, Tennessee 37902

Ladies and Gentlemen:

**Re: City of Knoxville, Tennessee acting on behalf of the Knoxville Utilities Board \$12,900,000 Gas System Revenue Refunding Bonds, Series U-2015**

Ladies and Gentlemen:

You have requested that the undersigned, General Counsel to the Knoxville Utilities Board of the City of Knoxville, Tennessee ("KUB"), render this opinion in connection with the execution, delivery and sale of the captioned bonds (the "Bonds"), the proceeds of which will be used to refinance a portion of the outstanding principal amount of the City's outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031.

It is our opinion that KUB is duly established and validly existing pursuant to the Charter of the City of Knoxville, Tennessee (the "Municipality"), and, pursuant to said Charter and the natural gas distribution system of the Municipality (the "System") is under the jurisdiction, control and management of KUB.

The undersigned does hereby certify that no litigation of any nature is now pending or, to our knowledge, threatened

- (1) seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds;
- (2) seeking to restrain or enjoin the charging of sufficient rates to pay the cost of operating, maintaining, repairing and insuring the System and to pay principal of and interest on the Bonds and all outstanding obligations payable from the revenues of the System;
- (3) in any manner questioning the proceedings or authority pursuant to which the Bonds are authorized or issued or such rates are charged;
- (4) in any manner questioning or relating to the validity of the Bonds;
- (5) contesting in any way the completeness or accuracy of the Official Statement prepared and distributed in connection with the sale of the Bonds;

(6) in any way contesting the corporate existence or boundaries of the Municipality, except for various pending actions challenging past or present annexation efforts of the Municipality, which will have no material adverse effect on the revenues of the System;

(7) contesting the title of the present officers of KUB to their respective offices; or

(8) contesting the powers of KUB or the authority of KUB with respect to the Bonds, or proceedings authorizing the Bonds, or any act to be done or document or certificate to be executed or delivered in connection with the issuance and delivery of the Bonds.

Neither the voters of the Municipality nor its governing body nor the Board of Commissioners of KUB have approved any special, local or private act or legislation passed by the General Assembly of the State of Tennessee at its most recent session or any amendments to the Charter of the Municipality affecting the power of the Municipality to issue the Bonds or pay the principal of, premium, if any, and interest on the Bonds when due or affecting the power of the Board of Commissioners of KUB to manage and control the System.

I hereby certify that \_\_\_\_\_ and \_\_\_\_\_ are the duly qualified, appointed and acting Chair and Secretary, respectively, of the Board of Commissioners of KUB with full power to act as such officers on behalf of KUB in connection with the execution and delivery of the Bonds.

Yours truly,

**EXHIBIT B**

**FORM OF REFUNDING ESCROW AGREEMENT**

**CITY OF KNOXVILLE, TENNESSEE  
ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD  
\$12,900,000 GAS SYSTEM REVENUE REFUNDING BONDS, SERIES U-2015**

**REFUNDING ESCROW AGREEMENT**

This Refunding Escrow Agreement is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 201\_\_, by and between Knoxville Utilities Board ("KUB") acting on behalf of the City of Knoxville, Tennessee (the "City") and \_\_\_\_\_, \_\_\_\_\_, Tennessee (the "Agent").

**WITNESSETH:**

WHEREAS, the Board of Commissioners (the "Board") of KUB has determined to provide for payment of the City's outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 (the "Refunded Bonds") by depositing in escrow with the Agent funds that, with the investment income therefrom, will be sufficient to pay the principal of and interest on the portion of the Refunded Bonds set forth on Exhibit A hereto; and

WHEREAS, in order to obtain the funds needed to refund the Refunded Bonds, the City has authorized and issued its Gas System Revenue Refunding Bonds, Series U-2015, dated \_\_\_\_\_, 2015 (the "Refunding Bonds"); and

WHEREAS, a portion of the proceeds derived from the sale of the Refunding Bonds and certain funds of KUB, if any, will be deposited in escrow with the Agent hereunder and applied to the purchase of certain securities described herein, the principal amount thereof together with interest thereon to mature at such times and in such amounts as shall be sufficient to pay when due all of the principal of, premium, if any, and interest on the Refunded Bonds identified on Exhibit A; and

WHEREAS, in order to create the escrow hereinabove described, provide for the deposit of the proceeds of the Refunding Bonds and the application thereof, and provide for the payment of the Refunded Bonds, the parties hereto do hereby enter into this Agreement;

NOW, THEREFORE, KUB, in consideration of the foregoing and the mutual covenants herein set forth and in order to secure the payment of the Refunded Bonds according to their tenor and effect, does by these presents hereby grant, warrant, demise, release, convey, assign, transfer, alien, pledge, set over and confirm, to the Agent, and to its successors hereunder, and to it and its assigns forever, in escrow, all and singular the property hereinafter described to wit:

**DIVISION I**

All right, title and interest of KUB and the City in and to \$\_\_\_\_\_ derived from the proceeds of the sale of the Refunding Bonds and \$\_\_\_\_\_ derived from other funds of KUB.

## DIVISION II

All right, title and interest of KUB and the City in and to the Government Securities purchased with the funds described in Division I hereof and to all income, earnings and increment derived from or accruing to the Government Securities.

## DIVISION III

Any and all other cash or eligible investments from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred in escrow hereunder by KUB or by anyone in its behalf to the Agent, which is hereby authorized to receive the same at any time to be held in escrow hereunder.

## DIVISION IV

Any other cash or eligible investments that is by the express provisions of this Agreement required to be subject to the pledge hereof and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subject to the pledge hereof, by KUB or by anyone in its behalf, and the Agent is hereby authorized to receive the same at any time to be held in escrow hereunder.

TO HAVE AND TO HOLD, all and singular, the escrowed property, including all additional property which by the terms hereof has or may become subject to this Agreement, unto the Agent, and its successors and assigns, forever.

The escrowed property shall be held in escrow for the benefit and security of the owners from time to time of the portion of the Refunded Bonds identified on Exhibit A; but if the principal of and interest on the portion of the Refunded Bonds identified on Exhibit A shall be fully and promptly paid when due in accordance with the terms hereof, then this Agreement shall be and become void and of no further force and effect, otherwise the same shall remain in full force and effect, subject to the covenants and conditions hereinafter set forth.

## ARTICLE I DEFINITIONS AND CONSTRUCTION

SECTION 1.1 Definitions. In addition to words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings, unless some other meaning is plainly intended:

"Agent" means \_\_\_\_\_, \_\_\_\_\_, Tennessee, its successors and assigns;

"Agreement" means this Refunding Escrow Agreement;

"Board" means the Board of Commissioners of KUB;

"City" means the City of Knoxville, Tennessee;

"Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated thereunder;

"Escrow Fund" shall have the meaning ascribed to it in Section 2.1 hereof;

"Escrow Property," "escrow property" or "escrowed property" means the property, rights and interest of KUB that are described in Divisions I through IV of this Agreement and hereinabove conveyed in escrow to the Agent;

"Government Securities" means obligations and securities described in Section 9-21-1012, Tennessee Code Annotated that are purchased pursuant to the terms of the Escrow Reinvestment Agreement on this Agreement;

"KUB" means Knoxville Utilities Board, Knoxville, Tennessee;

"Refunded Bonds" means the City's Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031;

"Refunding Bonds" means the City's Gas System Revenue Refunding Bonds, Series U-2015, dated \_\_\_\_\_, 2015;

"Written Request" means a request in writing signed by the President and Chief Executive Officer of KUB, the Chief Financial Officer of KUB or by any other officer or official of KUB duly authorized by KUB to act in their place.

SECTION 1.2 Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. The word "person" shall include corporations, associations, natural persons and public bodies unless the context shall otherwise indicate. Reference to a person other than a natural person shall include its successors.

## ARTICLE II ESTABLISHMENT AND ADMINISTRATION OF FUNDS

SECTION 2.1 Creation of Escrow; Deposit of Funds. KUB hereby creates and establishes with the Agent a special and irrevocable escrow composed of the Escrowed Property and hereby deposits with the Agent and the Agent hereby acknowledges receipt of \$\_\_\_\_\_ as described in Division I hereof. The monies so deposited, together with investment income therefrom, is herein referred to as the "Escrow Fund" and shall constitute a fund to be held by the Agent as a part of the Escrowed Property created, established, and governed by this Agreement.

SECTION 2.2 Investment of Funds. The monies described in Section 2.1 hereof shall be held or invested as follows:

(a) the amount of \$\_\_\_\_\_ shall be used to purchase the Government Securities described on Exhibit B attached hereto; and

(b) the amount of \$\_\_\_\_\_ shall be held as cash in a non-interest-bearing account.

Except as provided in Sections 2.4 and 2.6 hereof, the investment income from the Government Securities in the Escrow Fund shall be credited to the Escrow Fund and shall not be reinvested. The Agent shall have no power or duty to invest any monies held hereunder or to make substitutions of Government Securities held hereunder or to sell, transfer, or otherwise dispose of the Government Securities acquired hereunder except as provided herein.

Section 2.3. Disposition of Escrow Funds. The Agent shall without further authorization or direction from KUB collect the principal and interest on the Government Securities promptly as the same shall fall due. From the Escrow Fund, to the extent that monies therein are sufficient for such purpose, the Agent shall make timely payments to the paying agent or its successor, for the Refunded Bonds of monies sufficient for the payment of the principal of and interest on the Refunded Bonds as the same shall become due and payable. Amounts and dates of principal and interest payments and the name and address of the paying agent with respect to the Refunded Bonds are set forth on Exhibit A. Payment on the dates and to the paying agent in accordance with Exhibit A shall constitute full performance by the Agent of its duties hereunder with respect to each respective payment. KUB represents and warrants that the Escrow Fund, if held, invested and disposed of by the Agent in accordance with the provisions of this Agreement, will be sufficient to make the foregoing payments. No paying agent fees, fees and expenses of the Agent, or any other costs and expenses associated with the Refunding Bonds or the Refunded Bonds shall be paid from the Escrow Fund, and KUB agrees to pay all such fees, expenses, and costs from its legally available funds as such payments become due. When the Agent has made all required payments of principal and interest on the Refunded Bonds to the paying agent as hereinabove provided, the Agent shall transfer any monies or Government Securities then held hereunder to KUB and this Agreement shall terminate.

Section 2.4. Excess Funds. Amounts held by the Agent, representing interest on the Government Securities in excess of the amount necessary to make the corresponding payment of principal and/or interest on the Refunded Bonds, shall be held by the Agent and invested pursuant to the Escrow Reinvestment Agreement without interest and shall be applied before any other Escrow Fund monies to the payment of the next ensuing principal and/or interest payment on the Refunded Bonds. Upon retirement of all the Refunded Bonds, the Agent shall pay any excess amounts remaining in the Escrow Fund to KUB.

Section 2.5. Reports. The Escrow Agent shall deliver to KUB a monthly report summarizing all transactions relating to the Escrow Fund; and on or before the first day of August of each year shall deliver to the Chief Financial Officer of KUB a report current as of June 30 of that year, which shall summarize all transactions relating to the Escrow Fund effected during the immediately preceding fiscal year of KUB and which also shall set forth all assets in the Escrow Fund as of June 30 and set forth opening and closing balances thereof for that fiscal year.

Section 2.6 Investment of Moneys Remaining in Escrow Fund. The Agent may invest and reinvest any monies remaining from time to time in the Escrow Fund until such time as they are needed. Such monies shall be invested in Government Securities, maturing no later than the next interest payment date of the Refunded Bonds, or for such periods or at such interest rates as the Agent shall be directed by Written Request, provided, however, that KUB shall furnish the Agent, as a condition precedent to such investment, with an opinion from nationally recognized bond counsel stating that such reinvestment of such monies will not, under the statutes, rules and regulations then in force and applicable to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on the Refunding Bonds or the Refunded Bonds not to be excluded from gross income for federal income tax purposes and that such investment is not inconsistent with the statutes and regulations applicable to the Refunding Bonds and Refunded Bonds. Any interest income resulting from reinvestment of monies pursuant to this Section 2.6 shall be applied first to the payment of principal of and interest on the Refunded Bonds to the extent the Escrow is or will be insufficient to retire the Refunded Bonds as set forth on Exhibit A and any excess shall be paid to KUB to be applied to the payment of the Refunding Bonds or the expenses of issuance thereof.

Section 2.7. Irrevocable Escrow Created. The deposit of monies, Government Securities, matured principal amounts thereof, and investment proceeds therefrom in the Escrow Fund shall constitute an irrevocable deposit of said monies and Government Securities for the benefit of the holders of the Refunded Bonds, except as provided herein with respect to amendments permitted under Section 4.1 hereof. All the funds and accounts created and established pursuant to this Agreement shall be and constitute escrow funds for the purposes provided in this Agreement and shall be kept separate and distinct from all other funds of KUB and the Agent and used only for the purposes and in the manner provided in this Agreement.

Section 2.8. Redemption of Refunded Bonds. The Refunded Bonds shall be redeemed as stated on Exhibit C attached hereto.

### ARTICLE III CONCERNING THE AGENT

SECTION 3.1 Appointment of Agent. KUB hereby appoints the Agent as escrow agent under this Agreement.

SECTION 3.2 Acceptance by Agent. By execution of this Agreement, the Agent accepts the duties and obligations as Agent hereunder. The Agent further represents that it has all requisite power, and has taken all corporate actions necessary to execute the escrow hereby created.

SECTION 3.3 Liability of Agent. The Agent shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by KUB or any paying agent of its obligations, or to protect any of KUB's rights under any bond proceedings or any of KUB's other contracts with or franchises or privileges from any state, county, municipality or other governmental agency or with any person. The Agent shall not be liable for any act done or step taken or omitted to be taken by it, or for any mistake of fact or law, or anything which it may do or refrain from doing, except for its own gross negligence or willful misconduct in the performance or nonperformance of any obligation imposed upon it hereunder. The Agent shall not be responsible in any manner whatsoever for the recitals or statements contained herein or in the Refunded Bonds or in the Refunding Bonds or in any proceedings taken in connection therewith, but they are made solely by KUB. The Agent shall have no lien whatsoever upon any of the monies or investments in the Escrow Fund for the payment of fees and expenses for services rendered by the Agent under this Agreement.

The Agent shall not be liable for the accuracy of the calculations as to the sufficiency of Escrow Fund monies and Government Securities and the earnings thereon to pay the Refunded Bonds. So long as the Agent applies any monies, the Government Securities and the interest earnings therefrom to pay the Refunded Bonds as provided herein, and complies fully with the terms of this Agreement, the Agent shall not be liable for any deficiencies in the amounts necessary to pay the Refunded Bonds caused by such calculations. The Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this Agreement and in full compliance with the provisions hereof.

In the event of the Agent's failure to account for any of the Government Securities or monies received by it, said Government Securities or monies shall be and remain the property of KUB in escrow for the benefit of the holders of the Refunded Bonds, as herein provided, and if for any improper reason such Government Securities or monies are applied to purposes not provided for herein or misappropriated by the Agent, the assets of the Agent shall be impressed with a trust for the amount thereof until the required application of such funds shall be made or such funds shall be restored to the Escrow Fund.

SECTION 3.4 Permitted Acts. The Agent and its affiliates may become the owner of or may deal in the Refunding Bonds or Refunded Bonds as fully and with the same rights as if it were not the Agent.

SECTION 3.5 Exculpation of Funds of Agent. Except as set forth in Section 3.3, none of the provisions contained in this Agreement shall require the Agent to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Agent shall be under no liability for interest on any funds or other property received by it hereunder, except as herein expressly provided.

SECTION 3.6 No Redemption or Acceleration of Maturity. The Agent will not pay any of the principal of or interest on the Refunded Bonds, except as provided in Exhibit A attached hereto and will not redeem or accelerate the maturity of any of the Refunded Bonds except as provided in Section 2.9 hereof.

SECTION 3.7 Qualifications of Agent. There shall at all times be an Agent hereunder that shall be a corporation or banking association organized and doing business under the laws of the United States or any state, located in the State of Tennessee, authorized under the laws of its incorporation to exercise the powers herein granted, having a combined capital, surplus, and undivided profits of at least \$75,000,000 and subject to supervision or examination by federal or state authority. If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this paragraph the combined capital, surplus, and undivided profits of such corporation or association shall be deemed to be its combined capital, surplus, and undivided profits as set forth in its most recent report of condition as published. In case at any time the Agent shall cease to be eligible in accordance with the provisions of this section, the Agent shall resign immediately in the manner and with the effect specified herein.

SECTION 3.8 Resignation of Agent. The Agent may at any time resign by giving direct written notice to KUB and by giving the holders of the Refunded Bonds notice by first-class mail of such resignation. Upon receiving such notice of resignation, KUB shall promptly appoint a successor escrow agent in the manner provided in the resolution authorizing the Refunding Bonds. If no successor escrow agent shall have been appointed and have accepted appointment within thirty (30) days after the publication of such notice of resignation, the resigning Agent may petition any court of competent jurisdiction located in Knox County, Tennessee, for the appointment of a successor, or any holder of the Refunded Bonds may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor meeting the qualifications set forth in Section 3.7. The Agent shall serve as escrow agent hereunder until its successor shall have been appointed and such successor shall have accepted the appointment.

SECTION 3.9 Removal of Agent. In case at any time the Agent shall cease to be eligible in accordance with the provisions of Section 3.8 hereof and shall fail to resign after written request therefor by KUB or by any holder of the Refunded Bonds, or the Agent shall become incapable of acting, shall be adjudged a bankrupt or insolvent or a receiver of the Agent or any of its property shall be appointed, or any public officer shall take charge or control of the Agent or its property or affairs for the purpose of rehabilitation, conservation, or liquidation, then in any such case, the Board may remove the Agent and appoint a successor in the manner provided in the resolution authorizing the Refunding Bonds or any such bondholder may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction situated in Knox County, Tennessee for the removal of the Agent and the appointment of a successor. Such court may thereupon, after such notice, if any, as it may deem proper, remove the Agent and appoint a successor who shall meet the qualifications set forth in Section 3.8. Unless incapable of

serving, the Agent shall serve as escrow agent hereunder until its successor shall have been appointed and such successor shall have accepted the appointment.

The holders of a majority in aggregate principal amount of all the Refunded Bonds at any time outstanding may at any time remove the Agent and appoint a successor by an instrument or concurrent instruments in writing signed by such bondholders and presented, together with the successor's acceptance of appointment, to KUB and the Agent.

Any resignation or removal of the Agent and appointment of a successor pursuant to any of the provisions of this Agreement shall become effective upon acceptance of appointment by the successor as provided in Section 3.10 hereof.

SECTION 3.10 Acceptance by Successor. Any successor escrow agent appointed as provided in this Agreement shall execute, acknowledge and deliver to KUB and to its predecessor an instrument accepting such appointment hereunder and agreeing to be bound by the terms hereof, and thereupon the resignation or removal of the predecessor shall become effective and such successor, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Agent herein; but, nevertheless, on Written Request of KUB or the request of the successor, the predecessor shall execute and deliver an instrument transferring to such successor all rights, powers and escrow property of the predecessor. Upon request of any such successor, KUB shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor all such rights, powers and duties. No successor shall accept appointment as provided herein unless at the time of such acceptance such successor shall be eligible under the provisions of Section 3.7 hereof.

Any corporation into which the Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Agent shall be a party, or any corporation succeeding to the business of the Agent, shall be the successor of the Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor shall be eligible under the provisions of Section 3.8 hereof.

SECTION 3.11 Payment to Agent. KUB agrees to pay the Agent, as reasonable and proper compensation under this Agreement, a one-time fee of \$\_\_\_\_. The Agent shall be entitled to reimbursement of all advances, counsel fees and expenses, and other costs made or incurred by the Agent in connection with its services and/or its capacity as Agent or resulting therefrom. In addition, KUB agrees to pay to the Agent all out-of-pocket expenses and costs of the Agent incurred by the Agent in the performance of its duties hereunder, including all publication, mailing and other expenses associated with the redemption of the Refunded Bonds; provided, however, that KUB agrees, to the extent permitted by law, to indemnify the Agent and hold it harmless against any liability (unless such liability is due to the gross negligence or willful misconduct of the Agent) which it may incur while acting in good faith in its capacity as Agent under this Agreement, including, but not limited to, any court costs and attorneys' fees, and such indemnification shall be paid from available funds of KUB and shall not give rise to any claim against the Escrow Fund.

#### ARTICLE IV MISCELLANEOUS

SECTION 4.1 Amendments to this Agreement. This Agreement is made for the benefit of KUB, the holders from time to time for the Refunded Bonds, and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Agent and KUB; provided, however, that

KUB and the Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Agent for the benefit of the holders of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Agent shall be entitled to rely exclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Notwithstanding the foregoing or any other provision of this Agreement, upon Written Request and upon compliance with the conditions hereinafter stated, but only with the consent of the Provider, the Agent shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of all or any portion of the Government Securities held hereunder and to substitute therefor direct obligations of, or obligations the principal of and interest on which are fully guaranteed by the United States of America, subject to the condition that such monies or securities held by the Agent shall be sufficient to pay principal of and interest on the Refunded Bonds. KUB hereby covenants and agrees that it will not request the Agent to exercise any of the powers described in the preceding sentence in any manner which will cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 148 of the Code in effect on the date of such request and applicable to obligations issued on the issue date of the Refunding Bonds. The Agent shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the Government Securities held hereunder or from other monies available. The transactions may be effected only if there shall have been submitted to the Agent: (1) an independent verification by a nationally recognized independent certified public accounting firm concerning the adequacy of such substituted securities with respect to principal and the interest thereon and any other monies or securities held for such purpose to pay when due the principal of and interest on the Refunded Bonds in the manner required by the proceedings which authorized their issuance; and (2) an opinion from nationally recognized bond counsel to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on the Refunding Bonds not to be exempt from Federal income taxation. Any surplus monies resulting from the sale, transfer, other disposition or redemption of the Government Securities held hereunder and the substitutions therefor of direct obligations of, or obligations the principal of and interest on which is fully guaranteed by, the United States of America, shall be released from the Escrow Fund and shall be transferred to KUB.

SECTION 4.2 Severability. If any provision of this Agreement shall be held or deemed to be invalid or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

SECTION 4.3 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Tennessee.

SECTION 4.4 Notices. Any notice, request, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by Registered or Certified Mail, postage prepaid, or sent by telegram as follows:

To KUB:

Chief Financial Officer  
Knoxville Utilities Board  
445 Gay Street  
Knoxville, Tennessee 37902

To the Agent:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

KUB and the Agent may designate in writing any further or different addresses to which subsequent notices, requests, communications or other papers shall be sent.

SECTION 4.5 Agreement Binding. All the covenants, promises and agreements in this Agreement contained by or on behalf of the parties shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 4.6 Termination. This Agreement shall terminate when all transfers and payments required to be made by the Agent under the provisions hereof shall have been made.

SECTION 4.7 Execution by Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, KUB has caused this Agreement to be signed in its name by its President and Chief Executive Officer and attested by the Secretary of its Board of Commissioners, and the Agent has caused this Agreement to be signed in its corporate name by its duly authorized officers, all as of the day and date first above written.

CITY OF KNOXVILLE, TENNESSEE  
by and through the  
KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
President and Chief Executive Officer

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Escrow Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A TO REFUNDING ESCROW AGREEMENT

Debt Service Schedule of the refunded Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 to the Redemption Date with name and address of the Paying Agent and Date and Amount of Redemption

<u>Payment Date</u>	<u>Principal Payable</u>	<u>Principal Redeemed</u>	<u>Interest Payable</u>	<u>Redemption Premium</u>	<u>Total Debt Service</u>
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Totals:

Paying Agent: Regions Bank  
Nashville, Tennessee

EXHIBIT B TO REFUNDING ESCROW AGREEMENT

Government Securities

Par Amount

Interest Rate

Maturity Date

Cost of Securities: \$ \_\_\_\_\_

Cash: \$ \_\_\_\_\_

EXHIBIT C TO REFUNDING ESCROW AGREEMENT

The outstanding Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 (the "Refunded Bonds") of the City of Knoxville, Tennessee shall be redeemed as provided in this Exhibit C. The Agent is hereby authorized and directed to give the paying agent for the Refunded Bonds notice on or before \_\_\_\_\_ to give notice of a \_\_\_\_\_ redemption to the holders of said Refunded Bonds in accordance with the resolution authorizing the issuance of said Refunded Bonds.

NOTICE OF REDEMPTION

THE CITY OF KNOXVILLE, TENNESSEE  
BY AND THROUGH THE  
KNOXVILLE UTILITIES BOARD

NOTICE IS HEREBY GIVEN that the City of Knoxville, Tennessee (the "City"), by and through the Knoxville Utilities Board, has elected to and does exercise its option to call and redeem on \_\_\_\_\_, all of the City's outstanding bonds as follows:

Gas System Revenue Bonds, Series N-2007, dated November 1, 2007,  
maturing March 1, 2018 through March 1, 2031

The owners of the above-described Bonds are hereby notified to present the same to the principal office of Regions Bank, Nashville, Tennessee, where redemption shall be made at the price of par plus interest accrued to the redemption date. The redemption price will become due and payable on \_\_\_\_\_ upon each such Bond herein called for redemption and such Bonds shall not bear interest beyond \_\_\_\_\_.

Important Notice: Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Economic Growth and Tax Relief Reconciliation Act of 2003 (the "Act"), unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed W-9 or exemption certificate or equivalent when presenting your securities.

REGIONS BANK  
as Registration and Paying Agent

RESOLUTION SUPPLEMENTING RESOLUTION NO. R-129-90  
ADOPTED BY THE CITY COUNCIL OF THE CITY OF  
KNOXVILLE, TENNESSEE ON MAY 15, 1990 PROVIDING FOR  
THE ISSUANCE OF NOT TO EXCEED ONE HUNDRED FORTY  
MILLION AND NO/100 DOLLARS (\$140,000,000) OF  
WASTEWATER SYSTEM REVENUE REFUNDING BONDS,  
SERIES 2015A.

RESOLUTION NO: \_\_\_\_\_

REQUESTED BY: \_\_\_\_\_

PREPARED BY: \_\_\_\_\_

APPROVED AS TO FORM

CORRECTNESS: \_\_\_\_\_

Law Director

FINANCIAL IMPACT STATEMENT:

\_\_\_\_\_

\_\_\_\_\_

Director of Finance

APPROVED: \_\_\_\_\_

APPROVED AS AN

EMERGENCY MEASURE: \_\_\_\_\_

MINUTE BOOK \_\_\_\_\_ PAGE \_\_\_\_\_

WHEREAS, the City of Knoxville (hereinafter sometimes referred to as the "City"), pursuant to Resolution No. R-129-90 of the City Council adopted May 15, 1990 (which resolution as heretofore amended is hereinafter sometimes referred to as "the 1990 Resolution"), authorized the issuance of series of Wastewater System Revenue Bonds; and

WHEREAS, pursuant to the 1990 Resolution, and for the purpose of financing the cost of the improvement, betterment and extension of the City's wastewater system (hereinafter sometimes referred to as the "System") and the refinancing of indebtedness issued for that purpose, the City issued Wastewater System Revenue Bonds, the series of which, the amount issued and the amount outstanding as of February 1, 2015, are as follows:

<u>Series</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
2005A	\$140,000,000	\$ 36,550,000
2005B	\$ 21,850,000	\$ 17,395,000
2007	\$ 75,000,000	\$ 75,000,000
2008	\$ 45,000,000	\$ 30,975,000
2010	\$ 30,000,000	\$ 30,000,000
2010C	\$ 70,000,000	\$ 66,850,000
2012A	\$ 17,070,000	\$ 16,215,000
2012B	\$ 65,000,000	\$ 64,150,000
2013A	\$113,340,000	\$112,915,000
2014A	\$ 30,000,000	\$ 30,000,000

WHEREAS, it is desirable that an additional series of bonds be issued to refinance the outstanding principal amount of the City's outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040, the City's outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 and the City's outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 (collectively, the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the bonds, pursuant to the authorization contained in the 1990 Resolution and this resolution; and

WHEREAS, the Board of Commissioners (the "Board") of the Knoxville Utilities Board ("KUB") has duly adopted a resolution requesting the City Council of the City to adopt this resolution authorizing the issuance of bonds for the purposes and in the manner hereinafter more fully stated; and

WHEREAS, the plan of refunding for the Refunded Bonds has been submitted to the State Director of State and Local Finance (the "State Director") as required by Section 9-21-903, Tennessee Code Annotated, as amended, and she has acknowledged receipt thereof to the City and KUB and submitted her report thereon to the City and KUB, and such report has been provided to members of the City Council of the City; and

WHEREAS, it is the intention of the City Council of the City to adopt this resolution for the purpose of authorizing not to exceed \$140,000,000 in aggregate principal amount of wastewater system revenue refunding bonds for the purposes described above, establishing the terms of such bonds, providing for the issuance, sale and payment of the bonds and disposition of proceeds therefrom, and collection of revenues from the wastewater system of the City and the application thereof to the payment of principal of, premium, if any, and interest on said bonds.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Knoxville, Tennessee, as follows:

Section 1. Authority. The bonds authorized by this resolution are issued pursuant to Sections 7-34-101 et seq. and 9-21-101 et seq., Tennessee Code Annotated, and other applicable provisions of law.

Section 2. Definitions. Capitalized terms used herein and not defined in this Section 2 shall have the meanings ascribed to them in the 1990 Resolution (as hereinbelow defined). The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise.

- (a) "Board" shall mean the Board of Commissioners of the Knoxville Utilities Board;
- (b) "Bond Purchase Agreement" means a Bond Purchase Agreement, dated as of the sale of the Series 2015A Bonds, entered into by and between KUB and the Underwriter, in substantially the form of the document attached hereto as Exhibit A, subject to such changes as permitted by Section 10 hereof, as approved by the President and Chief Executive Officer of KUB, consistent with the terms of this resolution;
- (c) "Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical Bond certificates in fully registered form are issued to a Depository, or to its nominee as Registered Owner, with the certificated Bonds being held by and "immobilized" in the custody of such Depository, and under which records maintained by persons, other than the City, KUB or the Registration Agent, constitute the written record that identifies, and records the transfer of, the beneficial "book-entry" interests in those Bonds;
- (d) "City" shall mean the City of Knoxville, Tennessee;
- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder;
- (f) "Depository" means any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC;
- (g) "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;
- (h) "DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system;
- (i) "Governing Body" shall mean the City Council of the City;
- (j) "KUB" shall mean the Knoxville Utilities Board;
- (k) "1990 Resolution" shall mean Resolution No. R-129-90 of the Governing Body, adopted May 15, 1990, as supplemented and amended by Resolution No. R-130-90 adopted May 15, 1990, Resolution No. R-473-93 of the Governing Body, adopted October 26, 1993, Resolution No. R-5-98 of the Governing Body, adopted January 27, 1998, Resolution No. R-67-01 of the Governing Body, adopted February 20, 2001, Resolution No. R-148-01 of the Governing Body, adopted March 20, 2001, Resolution No. R-481-01 of the Governing Body, adopted October 30, 2001, Resolution No. R-56-04 of the City Council of the City, adopted March 2, 2004, Resolution No. R-264-05 of the City Council of the

City, adopted July 5, 2005, Resolution No. R-247-07 of the City Council of the City, adopted August 28, 2007, Resolution No. R-252-08 of the City Council of the City, adopted July 29, 2008, Resolution No. 11-S of the City Council of the City, adopted December 15, 2009, Resolution No. R-134-10 of the City Council of the City, adopted May 4, 2010, Resolution No. R-334-2010 of the City Council of the City, adopted November 2, 2010, Resolution No. R-338-2011 of the City Council of the City, adopted December 13, 2011, Resolution No. R-291-2012 of the City Council of the City, adopted October 16, 2012, Resolution No. R-324-2012 of the City Council of the City, adopted November 13, 2012 and Resolution No. R-212-2014 of the City Council of the City, adopted June 24, 2014 authorizing the issuance from time-to-time of series of revenue bonds of the City payable from revenues of the System on a parity with any bonds issued pursuant to its provisions;

(l) "Outstanding Bonds" shall mean the City's outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 and thereafter to the extent, if any, not refunded with the proceeds of the Series 2015A Bonds, its outstanding Wastewater System Revenue Refunding Bonds, Series 2005B, dated August 10, 2005, maturing April 1, 2015 and thereafter, its outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 and thereafter to the extent, if any, not refunded with the proceeds of the Series 2015A Bonds, its outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2015 and thereafter to the extent, if any, not refunded with the proceeds of the Series 2015A Bonds, its outstanding Wastewater System Revenue Bonds, Series 2010 (Federally Taxable Build America Bonds), dated February 20, 2010, maturing April 1, 2043 and thereafter, its outstanding Wastewater System Revenue Bonds, Series 2010C (Federally Taxable Build America Bonds), dated December 8, 2010, maturing April 1, 2015 and thereafter, its outstanding Wastewater System Revenue Refunding Bonds, Series 2012A, dated April 20, 2012, maturing April 1, 2015 and thereafter, its outstanding Wastewater System Revenue Bonds, Series 2012B, dated December 18, 2012, maturing April 1, 2015 and thereafter, its outstanding Wastewater System Revenue Refunding Bonds, Series 2013A, dated March 15, 2013, maturing April 1, 2015 and thereafter and its outstanding Wastewater System Revenue Bonds, Series 2014A, dated September 18, 2014, maturing April 1, 2015 and thereafter, which have been authorized by the City and which are expected to be issued prior to the issuance of the Series 2015A Bonds;

(m) "Parity Bonds" shall mean any bonds issued pursuant to the 1990 Resolution on a parity with the Series 2015A Bonds and the Outstanding Bonds;

(n) "Refunded Bonds" shall mean those portions of the City's outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040, the City's outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 and the City's outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 that are selected for refunding pursuant to Section 10 hereof;

(o) "Refunding Escrow Agent" shall mean the refunding escrow agent under the Refunding Escrow Agreement as shall be designated by the President and Chief Executive Officer of KUB, or any successor thereunder pursuant to the terms thereof;

(p) "Refunding Escrow Agreement" shall mean the Refunding Escrow Agreement, dated as of the date of the Series 2015A Bonds to be entered into by and between KUB and the Refunding Escrow Agent in substantially the form attached hereto as Exhibit B, subject to such changes therein as shall be permitted by Section 13 hereof;

(q) "Registration Agent" shall mean the registration and paying agent for the Series 2015A Bonds designated by the President and Chief Executive Officer of KUB, or any successor as designated by the Board;

(r) "Series 2015A Bonds" shall mean the City's Wastewater System Revenue Refunding Bonds, Series 2015A, issued pursuant to this resolution, to be dated the date of their issuance, or such other date as shall be determined by the Board pursuant to Section 9 hereof, authorized to be issued by the 1990 Resolution and this resolution in an aggregate principal amount not to exceed \$140,000,000;

(s) "State" shall mean the State of Tennessee; and

(t) "Underwriter" shall mean an investment banking firm qualified to underwrite bonds such as the Series 2015A Bonds in the State of Tennessee selected by the President and Chief Executive Officer of KUB.

Section 3. Declarations. It is hereby determined that all requirements of the 1990 Resolution have been or will have been met upon the issuance of the Series 2015A Bonds so that the Series 2015A Bonds will be issued as Parity Bonds.

Section 4. Findings of the Governing Body. It is hereby found and determined by the Governing Body as follows:

(a) The refunding of the Refunded Bonds as set forth herein through the issuance of the Series 2015A Bonds will result in a reduction in debt service payable by the City and KUB over the term of the Refunded Bonds, thereby effecting a cost savings to the System; and

(b) It is advantageous to the City and KUB to deposit a portion of the proceeds from the sale of the Series 2015A Bonds and other funds of KUB, if any, with the Refunding Escrow Agent pursuant to the Refunding Escrow Agreement which, together with investment income thereon, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Bonds, provided, that KUB may dispense with the use of a Refunding Escrow Agreement to the extent permitted by Section 13 hereof.

Section 5. Authorization and Terms of the Series 2015A Bonds. (a) For the purpose of providing funds for the payment of principal of and premium and interest on the Refunded Bonds to the earliest practicable optional redemption date thereof, including the payment of legal, fiscal and administrative costs incident thereto and incident to the issuance and sale of the Series 2015A Bonds as more fully set out in Section 10 hereof, there are hereby authorized to be issued revenue bonds of the City in the aggregate principal amount of not to exceed \$140,000,000. The Series 2015A Bonds shall be issued in fully registered form, without coupons, shall be known as "Wastewater System Revenue Refunding Bonds, Series 2015A" and shall be dated the date of their issuance or such other date as shall be determined by the Board or the President and Chief Executive Officer of KUB as its designee pursuant to Section 10 hereof. The Series 2015A Bonds shall bear interest at a rate or rates not to exceed five percent (5.00%) per annum, payable semi-annually on April 1 and October 1 in each year, commencing October 1, 2015 or such later date as is permitted pursuant to Section 10 hereof. The Series 2015A Bonds shall be initially issued in \$5,000 denominations or integral multiples thereof as shall be requested by the purchaser thereof. The Series 2015A Bonds shall mature and be payable either serially or through mandatory redemption on each April 1 in such years as is established by the Board or the President and Chief Executive Officer of KUB as its designee pursuant to Section 10, provided that the final maturity date shall not be later than April 1, 2042, and the Series 2015A Bonds shall not have an average weighted maturity in excess of the average weighted maturity of the Refunded Bonds. The final maturity schedule shall be established by the award resolution or certificate awarding the Series 2015A Bonds to the

successful purchaser thereof or in the Bond Purchase Agreement provided for in Section 10 if the Series 2015A Bonds are sold by negotiated sale.

(b) Subject to adjustment pursuant to Section 10 hereof, the Series 2015A Bonds maturing on or before April 1, 2025 shall mature without option of prior redemption. Series 2015A Bonds maturing on April 1, 2026 and thereafter shall be subject to redemption prior to maturity at the option of the City, acting through the Board, on or after April 1, 2025, as a whole or in part at any time at a redemption price equal to the principal amount plus interest accrued to the redemption date.

If less than all of the Series 2015A Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its discretion. If less than all of the Series 2015A 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 2015A Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Series 2015A 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 2015A Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2015A 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.

(c) Pursuant to Section 10 hereof, KUB is authorized to sell each the Series 2015A Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as determined by KUB. In the event any or all of the Series 2015A Bonds are sold as term bonds, KUB shall redeem term bonds on redemption dates corresponding to the maturity dates set forth in the award resolution or certificate awarding the Series 2015A Bonds, in amounts so as to achieve an amortization of the indebtedness approved by the Board or the President and Chief Executive Officer of KUB as its designee. DTC, as Depository for the Series 2015A Bonds, or any successor Depository for the Series 2015A Bonds, shall determine the interest of each Participant in the Series 2015A Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as Depository for the Series 2015A Bonds, the Series 2015A Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, KUB may (i) deliver to the Registration Agent for cancellation Series 2015A Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series 2015A 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 Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series 2015A Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of KUB on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series 2015A Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. KUB shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration 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.

(d) Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent 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 2015A Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the 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 2015A Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Series 2015A Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the of Series 2015A Bonds, as and when above provided, and neither KUB, the City, nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices, in the case of term bonds with mandatory redemption requirements as and when provided herein and in the Series 2015A Bonds and, in the case of optional redemption, as and when directed by the Board pursuant to written instructions from an authorized representative of the Board given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Series 2015A Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City or KUB to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

(e) The Series 2015A Bonds shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf, of the City with the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

(f) The City hereby authorizes and directs the Board to appoint a Registration Agent and paying agent for the Series 2015A Bonds, and the Registration Agent so appointed is authorized and directed to maintain Bond registration records with respect to the Series 2015A Bonds, to authenticate and deliver the Series 2015A Bonds as provided herein, either at original issuance, upon transfer, or as otherwise directed by the Board, to effect transfers of the Series 2015A Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series 2015A Bonds as provided herein, to cancel and destroy Series 2015A Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish KUB at least annually a certificate of destruction with respect to Series 2015A Bonds canceled and destroyed, and to furnish KUB at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Series 2015A Bonds. The payment of all reasonable fees and expenses of the Registration Agent for the discharge of its duties and obligations hereunder or under any such agreement is hereby authorized and directed. The Board hereby delegates to the President and Chief Executive Officer of KUB the authority to select and appoint the Registration Agent and any paying agents for the Series 2015A Bonds and to select and appoint the Refunding Escrow Agent (as well as any successors to any of the foregoing). The Chair of the Board is hereby authorized to execute and the Secretary of the Board is hereby authorized to attest such written agreement between KUB and the

Registration Agent as they shall deem necessary or proper with respect to the obligations, duties and rights of the Registration Agent.

(g) The Series 2015A Bonds shall be payable, principal and interest, in lawful money of the United States of America at the principal corporate trust office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Series 2015A Bonds on each interest payment date directly to the registered owners as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said Bond registration records, without, except for final payment, the presentation or surrender of such Series 2015A Bonds, and all such payments shall discharge the obligations of KUB in respect of such Series 2015A Bonds to the extent of the payments so made. Payment of principal of the Series 2015A Bonds shall be made upon presentation and surrender of such registered Series 2015A Bonds to the Registration Agent as the same shall become due and payable. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each. In the event the Series 2015A Bonds are no longer registered in the name of DTC, or a successor Depository, if requested by the Owner of at least \$1,000,000 in aggregate principal amount of the Series 2015A Bonds, payment of interest on such Series 2015A Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

(h) Any interest on any Series 2015A Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid to the persons in whose names the Series 2015A Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: KUB shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series 2015A Bond and the date of the proposed payment, and at the same time KUB shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify KUB of such Special Record Date and, in the name and at the expense of KUB, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in any of the Series 2015A Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of KUB to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on any of the Series 2015A Bonds when due.

(i) The Series 2015A Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Series 2015A Bond(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Series 2015A Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series 2015A Bond(s) in such form and with

such documentation, if any, the Registration Agent shall issue a new Series 2015A Bond or Series 2015A Bonds to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Series 2015A Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series 2015A Bond, nor to transfer or exchange any Series 2015A Bond after notice calling such Series 2015A Bond for redemption has been made, nor to transfer or exchange any Series 2015A Bond during the period following the receipt of instructions from KUB to call such Series 2015A Bond for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Series 2015A Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Series 2015A Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither KUB nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Series 2015A Bonds shall be overdue. Series 2015A Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Series 2015A Bonds of the same maturity in any authorized denomination or denominations. This subsection shall be applicable only if the Series 2015A Bonds are no longer held by a Depository, and as long as the Series 2015A Bonds are held by a Depository, transfers of ownership interests in the Series 2015A Bonds shall be governed by the rules of the Depository.

(j) Except as otherwise authorized herein, the Series 2015A Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as the Depository for the Series 2015A Bonds except as otherwise provided herein. References in this Section to a Series 2015A Bond or the Series 2015A Bonds shall be construed to mean the Series 2015A Bond or the Series 2015A Bonds that are held under the Book-Entry System. One Bond for each maturity of the Series 2015A Bonds shall be issued to DTC and immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series 2015A Bonds in authorized denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Series 2015A Bonds. Beneficial ownership interests in the Series 2015A Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive the Series 2015A Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Series 2015A Bonds. Transfers of ownership interests in the Series 2015A Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2015A BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE SERIES 2015A BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2015A BONDS, RECEIPT OF NOTICES, VOTING AND TAKING OR NOT TAKING, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Series 2015A Bonds, so long as DTC is the only owner of the Series 2015A Bonds, shall be paid by the Registration Agent directly to DTC or its nominee, Cede & Co. as provided in the Letter of Representation relating to the Series 2015A Bonds from the City, acting by and through KUB, and the Registration Agent to DTC (the "Letter of Representation"). DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. Neither the City, KUB nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending

transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as Depository for the Series 2015A Bonds or (2) to the extent permitted by the rules of DTC, the Board determines to discontinue the Book-Entry System, the Book-Entry System with DTC shall be discontinued. If the Board fails to identify another qualified securities depository to replace DTC, the Board shall cause the Registration Agent to authenticate and deliver replacement Series 2015A Bonds in the form of fully registered Series 2015A Bonds to each Beneficial Owner.

NEITHER THE CITY, KUB NOR THE REGISTRATION AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE SERIES 2015A BONDS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2015A BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS, (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2015A BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

If the purchaser or Underwriter certifies that it intends to hold the Series 2015A Bonds for its own account, then the City may issue certified Bonds without the utilization of DTC and the Book-Entry System.

(k) In case any Series 2015A Bond shall become mutilated, or be lost, stolen, or destroyed, the City, acting by and through KUB, in its discretion, shall issue, and the Registration Agent, upon written direction from KUB, shall authenticate and deliver, a new Series 2015A Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series 2015A Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series 2015A Bond, or if any such Series 2015A Bond shall have matured or shall be about to mature, instead of issuing a substituted Series 2015A Bond KUB may pay or authorize payment of such Series 2015A Bond without surrender thereof. In every case the applicant shall furnish evidence satisfactory to KUB and the Registration Agent of the destruction, theft or loss of such Series 2015A Bond, and indemnity satisfactory to KUB and the Registration Agent; and KUB may charge the applicant for the issue of such new Series 2015A Bond an amount sufficient to reimburse KUB for the expense incurred by it in the issue thereof.

(l) The Registration Agent is hereby authorized to authenticate and deliver the Series 2015A Bonds to DTC, on behalf of the initial purchaser thereof, or an agent of DTC, upon receipt by KUB of the proceeds of the sale thereof and, subject to the rules of the Depository, to authenticate and deliver Series 2015A Bonds in exchange for Series 2015A Bonds of the same principal amount delivered for transfer upon receipt of the Series 2015A Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series 2015A Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an authorized representative thereof on the certificate set forth herein on the Series 2015A Bond form.

(m) The Registration Agent is hereby authorized to take such action as may be necessary from time to time to qualify and maintain the Series 2015A Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series 2015A Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2015A



payment in the United States mail, postage prepaid, addressed to such owner at such owner's address shown on said bond registration records, without, except for final payment, the presentation or surrender of this Bond, and all such payments shall discharge the obligations of the City and KUB to the extent of the payments so made. Any such interest not so punctually paid or duly provided for on any interest payment date shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such defaulted interest shall be payable to the person in whose name this Bond is registered at the close of business on the date (the "Special Record Date") for payment of such defaulted interest to be fixed by the Registration Agent, notice of which shall be given to the owners of the Bonds of the issue of which this Bond is one not less than ten (10) days prior to such Special Record Date. Payment of principal of and premium, if any, on the Bonds shall be made when due upon presentation and surrender of this Bond to the Registration Agent.

Except as otherwise provided herein or in the Resolution, as hereinafter defined, this Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds of the series of which this Bond is one. One Bond for each maturity of the Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. One Bond for each maturity of the Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. The Bond Registrar is a custodian and agent for DTC, and the Bond will be immobilized in its custody. A book-entry system (the "Book-Entry System") shall be employed, evidencing ownership of the Bonds in \$5,000 denominations, or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants, as defined in the Resolution, pursuant to rules and procedures established by DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the City, KUB and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Resolution, including receipt of all principal of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or taking or not taking, or consenting to, certain actions hereunder. Payments of principal, maturity amounts, interest, and redemption premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners, as defined in the Resolution. Neither the City, KUB, nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants. In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) to the extent permitted by the rules of DTC, the Board determines to discontinue the Book-Entry System, the Book-Entry System with DTC shall be discontinued. If the Board fails to identify another qualified securities depository to replace DTC, the Board shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the City, KUB nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or maturity amounts of and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Beneficial Owners, (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

The Bonds of the issue of which this Bond is one maturing on or before April 1, 2025 shall mature without option of prior redemption. The Bonds maturing on April 1, 2026 and thereafter shall be subject to redemption prior to maturity at the option of the City, acting through the Board, on or after April 1, 2025, as a whole or in part at any time at a redemption price equal to the principal amount plus interest accrued to the redemption date.

[If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its discretion. If less than all of the 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 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the 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 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the 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.]

[Subject to the credit hereinafter provided, the City acting by and through KUB, shall redeem Bonds maturing on the redemption dates set forth below opposite such maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Bond is one, or any successor Depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds to be Redeemed</u>
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\*final maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the City, acting through KUB, may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive credit in respect of its redemption obligation under the mandatory redemption provision for any Bonds to be redeemed which prior to said date have been purchased or redeemed (otherwise than by mandatory redemption) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under the mandatory redemption provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of KUB on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of the Bonds to be redeemed by operation of the mandatory redemption provision shall be accordingly reduced. KUB shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph 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.

Notice of call for redemption, whether optional or mandatory shall be given by the Registration Agent on behalf of the City, but only upon direction of the Board, not fewer 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 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the 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 the redemption of any of the Bonds for which proper notice was given. From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly given as set forth in the Resolution, as hereafter defined.]

The Bonds of the issue of which this Bond is one are issuable only as fully registered Bonds, without coupons, in the denomination of Five Thousand Dollars (\$5,000) or any authorized integral multiple thereof. At the designated corporate trust office of the Registration Agent, in the manner and subject to the limitations, conditions and charges provided in the Resolution, fully registered Bonds may be exchanged for an equal aggregate principal amount of fully registered Bonds of the same maturity, of authorized denominations, and bearing interest at the same rate. The Bonds shall be numbered consecutively from one upwards and will be made eligible for the Book-Entry System of DTC. Except as otherwise provided in this paragraph and the Resolution, as hereinafter defined, the Bonds shall be registered in the name of Cede & Co. as nominee of DTC. The Board may discontinue use of DTC for Bonds at any time upon determination by the Board that the use of DTC is no longer in the best interest of the beneficial owners of the Bonds. Upon such determination, registered ownership of the Bonds may be transferred on the registration books maintained by the Registration Agent, and the Bonds may be delivered in physical form to the following:

- i. any successor of DTC or its nominee;
- ii. any substitute depository to which the Registration Agent does not unreasonably object, upon (a) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the Board that DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; or
- iii. any person, upon (a) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, or (b) termination by the Board of the use of DTC (or substitute depository or its successor).

In the event that this Bond is no longer held in a Book-Entry System by DTC, this Bond shall be transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denomination or denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the City, KUB nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or

exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Board to call such Bond for redemption.

This Bond is one of a total authorized issue aggregating \$140,000,000 and issued by the City for the purpose of providing funds to refinance the outstanding principal amount of the City's outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040, the City's outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 and the City's outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 (collectively, the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and costs incident to the issuance of the Bonds, under and in full compliance with the constitution and statutes of the State of Tennessee, including Sections 7-34-101 et seq. and Section 9-21-101 et seq., Tennessee Code Annotated, and pursuant to Resolution No. R-129-90 duly adopted by the City Council of the City on May 15, 1990, as supplemented and amended by Resolution No. R-130-90 duly adopted by the City Council of the City on May 15, 1990, Resolution No. R-473-93 duly adopted by the City Council on October 26, 1993, Resolution No. R-5-98 duly adopted by the City Council on January 27, 1998, Resolution No. R-67-01 duly adopted by the City Council on February 20, 2001, Resolution No. R-148-01 duly adopted by the City Council on March 20, 2001, Resolution No. R-481-01 duly adopted by the City Council on October 30, 2001, Resolution No. R-56-04 duly adopted by the City Council on March 2, 2004, Resolution R-264-05 duly adopted by the City Council on July 5, 2005, Resolution No. R-347-07 duly adopted by the City on August 28, 2007, Resolution No. R-252-08 duly adopted by the City Council on July 29, 2008, Resolution No. 11-S duly adopted by the City Council on December 15, 2009, Resolution No. R-134-10 duly adopted by the City Council on May 4, 2010, Resolution No. R-334-2010 duly adopted by the City Council on November 2, 2010, Resolution No. R-338-2011 duly adopted by the City Council on December 13, 2011, Resolution No. R-324-2012 duly adopted by the City Council on November 13, 2012, Resolution No. R-212-2014, duly adopted by the City Council on June 24, 2014 and Resolution No. R-\_\_\_\_-2015 duly adopted by the City Council on \_\_\_\_\_, 2015 (as supplemented and amended, the "Resolution").

This Bond, and interest hereon, are payable solely from and secured by a pledge of the income and the revenues to be derived from the operation of the System, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring the System. The Bonds of the series of which this Bond is one shall enjoy complete parity and equality of lien with the City's outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 and thereafter to the extent not refunded with the proceeds of the Bonds, the City's outstanding Wastewater System Revenue Refunding Bonds, Series 2005B, dated August 10, 2005, maturing April 1, 2015 and thereafter, the City's outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 and thereafter to the extent not refunded with the proceeds of the Bonds, the City's outstanding Wastewater System Revenue Bonds, dated December 23, 2008, maturing April 1, 2015 and thereafter to the extent not refunded with the proceeds of the Bonds, the City's outstanding Wastewater System Revenue Bonds, Series 2010 (Federally Taxable Build America Bonds), dated February 10, 2010, maturing April 1, 2043 and thereafter, the City's outstanding Wastewater System Revenue Bonds, Series 2010C (Federally Taxable Build America Bonds), dated December 8, 2010, maturing April 1, 2015 and thereafter, the City's outstanding Wastewater System Revenue Refunding Bonds, Series 2012A, dated April 20, 2012, maturing April 1, 2015 and thereafter, the City's outstanding Wastewater System Revenue Refunding Bonds, Series 2013A, dated March 15, 2013, maturing April 1, 2015 and thereafter and the City's outstanding Wastewater System Revenue Bonds, dated September 18, 2014, maturing April 1, 2015 and thereafter (collectively the "Outstanding Bonds") and any bonds or other obligations hereafter issued on a parity therewith. As provided in the Resolution, the punctual payment of principal of, premium, if any, and interest on the series of Bonds of which this Bond is one, the Outstanding Bonds and any other bonds issued on a parity therewith pursuant to the terms of the Resolution shall be secured equally and ratably by said revenues without priority by

reason of series, number or time of sale or delivery. The owner of this Bond shall have no recourse to the power of taxation of the City. The Board has covenanted that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond and the issue of which it is a part, as each payment becomes due. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

Under existing law, this Bond and the income therefrom are exempt from all present state, county and municipal taxation in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on this Bond during the period such Bond is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of this Bond in the Tennessee franchise tax base or any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is hereby certified, recited, and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of either the City or KUB, does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

IN WITNESS WHEREOF, the City acting by and through the Board has caused this Bond to be signed by the Chair of the Board by her manual or facsimile signature and attested by the Secretary of the Board by his manual or facsimile signature, all as of the date hereinabove set forth.

CITY OF KNOXVILLE  
by and through the  
KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
Chair

ATTESTED:

\_\_\_\_\_  
Secretary

Transferable and payable at the  
designated corporate trust office of: \_\_\_\_\_  
\_\_\_\_\_, Tennessee

Date of Registration: \_\_\_\_\_

This Bond is one of the issue of Bonds issued pursuant to the Resolution hereinabove described.

\_\_\_\_\_  
Registration Agent

By: \_\_\_\_\_

Authorized Representative

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto \_\_\_\_\_, [Please insert Federal Tax Identification Number or Social Security Number of Assignee \_\_\_\_\_] whose address is \_\_\_\_\_, the within bond of the City of Knoxville, Tennessee, and does hereby irrevocably constitute and appoint \_\_\_\_\_, attorney, to transfer the said bond on the records kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

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

Signature guaranteed:

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

Section 8. Equality of Lien; Pledge of Net Revenues. The punctual payment of principal of, premium, if any, and interest on the Outstanding Bonds, the Series 2015A Bonds authorized herein, and any Parity Bonds shall be secured equally and ratably by the Net Revenues of the System without priority by reason of series, number or time of sale or execution or delivery, and the Net Revenues of the System are hereby irrevocably pledged to the punctual payment of such principal, premium and interest as the same become due.

Section 9. Applicability of the 1990 Resolution. The Series 2015A Bonds are issued in compliance with the 1990 Resolution so as to be on a parity with the Outstanding Bonds, and, when duly delivered, the Series 2015A Bonds shall constitute a series of bonds issued under the authority of the 1990 Resolution. All recitals, provisions, covenants and agreements contained in the 1990 Resolution, as supplemented and amended herein (except insofar as any of said recitals, provisions, covenants and agreements necessarily relate exclusively to any series of the Outstanding Bonds) are hereby ratified and confirmed and incorporated herein by reference and, for so long as any of the Series 2015A Bonds shall be Outstanding and unpaid either as to principal or interest, or until discharge and satisfaction of the Series 2015A Bonds as provided in Section 12 hereof, shall be applicable to the Series 2015A Bonds, shall inure to the benefit of owners of the Series 2015A Bonds as if set out in full herein, and shall be fully enforceable by the owner of any Series 2015A Bond.

All references to "holder" or "holders" in the 1990 Resolution shall be deemed to include owners of the Series 2015A Bonds, and all references to "Bonds" in the 1990 Resolution shall be deemed to include the Series 2015A Bonds.

Section 10. Sale of Series 2015A Bonds.

(a) The Series 2015A Bonds or any emission thereof may be sold at negotiated sale to the Underwriter or at public sale as determined by the President and Chief Executive Officer of KUB at a price of not less than 98.00% of par, exclusive of original issue discount, plus accrued interest, if any, provided, however, that no emission of Series 2015A Bonds may be sold at negotiated sale unless the Audit and Finance Committee of the Board has previously approved the sale of such emission at negotiated sale. The sale of any emission of the Series 2015A Bonds to the Underwriter or by public sale shall be binding on the City and KUB, and no further action of the Board with respect thereto shall be required.

(b) The President and Chief Executive Officer of KUB, as the designee of the Board, is further authorized with respect to each emission of Series 2015A Bonds to:

- (1) change the dated date to a date other than the date of issuance;
- (2) specify the series designation or change the designation of the Series 2015A Bonds to a designation other than "Wastewater System Revenue Refunding Bonds";
- (3) change the first interest payment date to a date other than October 1, 2015, provided that such date is not later than twelve months from the dated date of such emission of Series 2015A Bonds;
- (4) adjust the principal and interest payment dates and determine maturity or mandatory redemption amounts of the Series 2015A Bonds or any emission thereof, provided that (A) the total principal amount of all emissions of the Series 2015A Bonds does not exceed the total amount of Series 2015A Bonds authorized herein; (B) the final maturity date of each emission shall be not later than April 1, 2042; and (C) the debt service schedule is substantially the same as what was presented to the State Director in connection with requesting a report on the refunding;
- (5) modify or remove the optional redemption provisions contained herein, provided that the premium amount to be paid in connection with any redemption provision shall not exceed two percent (2%) of the principal amount thereof;
- (6) sell the Series 2015A Bonds, or any emission thereof, or any maturities thereof as term bonds with mandatory redemption requirements as determined by the Board, as it shall deem most advantageous to KUB; and
- (7) cause all or a portion of the Series 2015A Bonds to be insured by a bond insurance policy issued by a nationally recognized bond insurance company to achieve the purposes set forth herein and to serve the best interests of KUB and to enter into agreements with such insurance company to the extent not inconsistent with this Resolution.

(c) If any emission of Series 2015A Bonds is sold at negotiated sale, the President and Chief Executive Officer of KUB is authorized to execute a Bond Purchase Agreement with respect to such emission of Series 2015A Bonds, providing for the purchase and sale of the Series 2015A Bonds, or any emission thereof. Each Bond Purchase Agreement shall be in substantially the form attached hereto as

Exhibit A, with such changes as the President and Chief Executive Officer deems necessary or advisable in connection with the sale of such Series 2015A Bonds, provided any such changes are not inconsistent with the terms of this Section. If the Underwriter does not intend to reoffer the Series 2015A Bonds to the public, then the Bond Purchase Agreement shall be conformed to reflect such intention. The form of the Series 2015A Bond set forth in Section 7 hereof shall be conformed to reflect any changes made pursuant to this Section 10.

(d) The President and Chief Executive Officer and the Chief Financial Officer of KUB, or either of them, are authorized to cause the Series 2015A Bonds, in book-entry form (except as otherwise authorized herein), to be authenticated and delivered by the Registration Agent to the purchaser(s), and to execute, publish, and deliver all certificates and documents, including an official statement, the Bond Purchase Agreement and closing certificates, as they shall deem necessary in connection with the sale and delivery of each emission of the Bonds.

(e) If the Series 2015A Bonds are sold at public sale, the Series 2015A Bonds shall be awarded by the President and Chief Executive Officer of KUB to the bidder that offers to purchase the Bonds for the lowest true interest cost to KUB.

Section 11. Disposition of Series 2008 Bond Proceeds. The proceeds of the sale of the Series 2015A Bonds shall be paid to KUB and used and applied by KUB as follows:

(a) All accrued interest, if any, shall be deposited to the Debt Service Fund created under the 1990 Resolution and used to pay interest on the Series 2015A Bonds on the first interest payment date following delivery of the Series 2015A Bonds;

(b) An amount, which together with investment earnings thereon and legally available funds of KUB, if any, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Bonds (subject to adjustments permitted by Section 10 above), shall be transferred to the Refunding Escrow Agent under the Refunding Escrow Agreement to be deposited to the Escrow Fund established thereunder to be held and applied as provided therein; and

(c) The remainder shall be applied to the payment of costs of issuance relating to the Series 2015A Bonds. If there are any remaining proceeds of the Series 2015A Bonds after application as provided above, such remaining proceeds shall be used to pay principal and/or interest on the Series 2015A Bonds.

Section 12. Discharge and Satisfaction of Series 2015A Bonds. The Series 2015A Bonds may be defeased, discharged and satisfied at any time as provided in Article XII of the 1990 Resolution.

Section 13. Refunding Escrow Agreement. For the purpose of providing for the payment of the principal of, premium, if any, and interest on the Refunded Bonds, the President and Chief Executive Officer of KUB is hereby authorized and directed to execute and the Secretary of the Board to attest on behalf of KUB the Refunding Escrow Agreement with the Refunding Escrow Agent and to deposit with the Refunding Escrow Agent the amounts to be used by the Refunding Escrow Agent to purchase Defeasance Obligations as provided therein; provided, however, that the yield on such investments shall be determined in such manner that none of the Series 2015A Bonds will be an "arbitrage bond" within the meaning of Section 148 (a) of the Code. The President and Chief Executive Officer of KUB and the Secretary of the Board are hereby authorized and directed to execute and deliver the Refunding Escrow Agreement on behalf of KUB in such form as is approved by the President and Chief Executive Officer of KUB and the Secretary of the Board, their execution thereof to constitute conclusive evidence of their approval of such form of the Refunding Escrow Agreement. The Refunding 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 interest on the Refunded Bonds and to exercise such duties as set forth in the Refunding Escrow Agreement.

Section 14. Notice of Refunding. Prior to the issuance of the Series 2015A Bonds, notice of the City's intention to refund the Refunded Bonds, to the extent required by applicable law, shall be given by the registration agent for the Refunded Bonds to be mailed by first-class mail, postage prepaid, to the registered holders thereof, as of the date of the notice, as shown on the bond registration records maintained by such registration agent of said Refunded Bonds. The President and Chief Executive Officer of KUB and the Secretary of the Board, or either of them, is hereby authorized and directed to authorize the registration agent of said Refunded Bonds to give such notice on behalf of the City in accordance with this Section.

Section 15. Federal Tax Matters. The City and KUB recognize that the purchasers and owners of the Series 2015A Bonds will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon will not be included in gross income for purposes of federal income taxation under laws in force on the date of delivery of the Series 2015A Bonds. In this connection, KUB, on behalf of the City, agrees that it shall take no action which may render the interest on any of the Series 2015A Bonds includable in gross income for purposes of federal income taxation. It is the reasonable expectation of the City and KUB that the proceeds of the Series 2015A Bonds will not be used in a manner which will cause the Series 2015A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Series 2015A Bonds and other related funds established for the purposes herein set out, shall be used and spent expeditiously for the purposes described herein. In the event Section 148(f) of the Code shall require the payment of any investment proceeds of the Series 2015A Bonds to the United States government, KUB 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 Series 2015A Bonds from becoming taxable. The Chair of the Board, the Secretary of the Board, the President and Chief Executive Officer of KUB and Chief Financial Officer of KUB, or any of them, are authorized and directed to make such certifications in this regard in connection with the sale of the Bonds as any or all shall deem appropriate, and such certifications shall constitute a representation and certification of the City and KUB.

Section 16. Official Statement. The President and Chief Executive Officer of KUB, or her designee, is hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement describing the Series 2015A Bonds. After the Series 2015A Bonds have been awarded, the President and Chief Executive Officer of KUB, or her designee, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The President and Chief Executive Officer of KUB, or her designee, shall arrange for the delivery to the purchaser of the Series 2015A Bonds of a reasonable number of copies of the Official Statement within seven business days after the Series 2015A Bonds have been awarded for delivery, by the purchaser the Series 2015A Bonds, to each potential investor requesting a copy of the Official Statement and to each person to whom such purchaser and members of his group initially sell the Series 2015A Bonds.

The President and Chief Executive Officer of KUB, or her designee, is authorized, on behalf of the Board, 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 Board except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 17. Continuing Disclosure. The City hereby covenants and agrees that KUB will provide annual financial information and material event notices for the Series 2015A Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. The Chief Financial Officer of KUB is authorized to execute at the closing of the sale of the Series 2015A Bonds, an agreement for the benefit of and enforceable by the owners of the Series 2015A Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of KUB 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 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause KUB to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

Section 18. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 19. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflict, hereby repealed and this resolution shall be in immediate effect from and after its adoption.

Adopted and approved this \_\_\_\_ day of \_\_\_\_\_, 2015.

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Mayor

ATTEST:

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City Recorder

STATE OF TENNESSEE     )  
  )  
COUNTY OF KNOX         )

I, Cindy A. Mitchell, hereby certify that I am the duly qualified and acting City Recorder of the City of Knoxville, Tennessee, and as such official I further certify that attached hereto is a copy of excerpts from the minutes of a regular meeting of the governing body of the City Council held on \_\_\_\_\_, 2015; that these minutes were promptly and fully recorded and are open to public inspection; that I have compared said copy with the original minute record of said meeting in my official custody; and that said copy is a true, correct and complete transcript from said original minute record insofar as said original records relate to an amount not to exceed \$140,000,000 Wastewater Revenue Refunding Bonds, Series 2015A.

WITNESS my official signature and seal of the City of Knoxville, Tennessee, this \_\_\_\_ day of \_\_\_\_\_, 2015.

(seal)

\_\_\_\_\_  
City Recorder

**EXHIBIT A**

**\$140,000,000  
CITY OF KNOXVILLE, TENNESSEE  
ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD  
WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2015A**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 201\_\_

Knoxville Utilities Board  
445 South Gay Street  
Knoxville, Tennessee 37902

Gentlemen:

The undersigned (the "Underwriter") offers to enter into this agreement with Knoxville Utilities Board ("KUB") which, upon your acceptance of this offer, will be binding upon you and upon us.

This offer is made subject to your acceptance of this agreement on or before 5:00 p.m., Eastern Standard Time, on \_\_\_\_\_, 201\_\_.

1. Purchase Price.

Upon the terms and conditions and upon the basis of the respective representations, warranties and covenants set forth herein, the Underwriter hereby agrees to purchase from KUB, and KUB hereby agrees to sell to the Underwriter, all (but not less than all) of \$140,000,000 aggregate principal amount of KUB's Wastewater System Revenue Refunding Bonds, Series 2015A (the "Bonds"). The purchase price is \$\_\_\_\_\_ plus accrued interest and shall be paid in accordance with paragraph 6 hereof. The purchase price is equal to the par amount of the Bonds less \$\_\_\_\_\_ original issue discount, less \$\_\_\_\_\_ underwriter's discount and plus accrued interest. The Bonds are to be issued under and pursuant to, and are to be secured by the Resolution (collectively, the "Bond Resolution") adopted on \_\_\_\_\_, 2015, by the City Council of the City of Knoxville (the "City") at the request of KUB. The Bonds shall mature on the dates and shall bear interest at the rates all as described in the Official Statement referred to in Section 3 hereof. The maturities, rates and discount at which the Bonds are being sold are more fully described on **Schedule I** attached hereto.

The Bonds are being issued to provide funds to refinance the outstanding principal amount of the City's outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040, the City's outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 and the City's outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 (collectively the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the Bonds.

2. Public Offering.

The Underwriter intends to make an initial bona fide public offering of all of the Bonds at not in excess of the public offering prices set forth on the cover of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover of the Official Statement. The Underwriter reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market; and (ii) to discontinue such stabilizing, if commenced at any time without prior notice.

3. Official Statement.

(a) KUB has provided the Underwriter with information that constitutes a "deemed final" official statement for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12"). Concurrently with KUB's acceptance of this Bond Purchase Agreement, KUB shall deliver or cause to be delivered to the Underwriter two copies of the Official Statement (as hereinafter defined) relating to the Bonds dated the date hereof substantially in the same form as the Preliminary Official Statement with only such changes as shall have been accepted by the Underwriter.

(b) Within seven (7) business days from the date hereof and within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, KUB shall deliver to the Underwriter copies of the Official Statement of KUB, dated the date hereof, relating to the Bonds, in sufficient quantity as may reasonably be requested by the Underwriter in order to comply with Rule 15c2-12 and any applicable rules of the Municipal Securities Rulemaking Board, in substantially the form approved by KUB (which, together with the cover page, and all exhibits, appendices, and statements included therein or attached thereto and any amendments and supplements that may be authorized for use with respect to the Bonds is herein called the "Official Statement"), executed on behalf of KUB by a duly authorized officer of KUB. You hereby authorize and approve the Official Statement and other pertinent documents referred to in Section 6 hereof to be lawfully used in connection with the offering and sale of the Bonds. You also acknowledge and ratify the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement in connection with a public offering of the Bonds.

(c) If, prior to the Closing (as defined in Section 5 below) or within twenty-five (25) days subsequent to the end of the underwriting period as such term is used for purposes of Rule 15c2-12, any event shall occur with respect to KUB or KUB shall receive notice of the occurrence of any other event that might or would cause the information contained in the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, KUB shall so notify the Underwriter. KUB agrees to amend or supplement the Official Statement whenever requested by the Underwriter when in the reasonable judgment of the Underwriter such amendment or supplementation is required and to furnish the Underwriter with sufficient quantities of such amendment or supplement in order to permit the Underwriter to comply with Rule 15c2-12.

4. Representations and Warranties.

KUB hereby represents and warrants to the Underwriter that:

(a) KUB is duly existing pursuant to the Charter of the City and is authorized by such Charter to operate and manage the System. KUB has duly authorized all necessary action to be taken by it for: (i) the issuance and sale of the Bonds upon the terms set forth herein and in the Official Statement; (ii) the approval of the Official Statement and the signing of the Official Statement by a duly

authorized officer; (iii) the execution, delivery and receipt of this Bond Purchase Agreement, the Bonds and any and all such other agreements and documents as may be required to be executed, delivered and received by KUB in order to carry out, give effect to, and consummate the transactions contemplated hereby, by the Bonds, the Official Statement and the Bond Resolution;

(b) When executed by the respective parties thereto, this Bond Purchase Agreement will constitute legal, valid and binding obligation of KUB enforceable in accordance with its terms;

(c) The information and statements contained in the Preliminary Official Statement, as of its date and as of the date hereof, did not and do not contain any untrue statement of a material fact or omit to state any material fact which was necessary in order to make such information and statements, in the light of the circumstances under which they were made, not misleading;

(d) The information and statements contained in the Official Statement, as of its date and as of the Closing, are and will be correct and complete in all material respects and do not and will not contain any untrue statement of a material fact or omit to state any material fact which is necessary in order to make such information and statements, in the light of the circumstances under which they were made, not misleading;

(e) KUB has complied, and will at the Closing be in compliance, in all respects with the obligations on its part contained in the Bond Resolution and the laws of the State of Tennessee (the "State"), including the Act;

(f) The City has duly adopted the Bond Resolution, and the City and KUB have (a) duly authorized and approved the distribution of the Preliminary Official Statement, (b) duly authorized and approved the execution and delivery of the Official Statement, (d) duly authorized and approved the execution and delivery of, and the performance by KUB of the obligations on its part contained in, the Bonds, the Bond Resolution and this Bond Purchase Agreement, and (e) duly authorized and approved the consummation by it of all other transactions contemplated by this Bond Purchase Agreement and the Official Statement;

(g) KUB is not in breach of or default under any applicable law or administrative regulation of the State or the United States in any manner related to or affecting the transactions contemplated hereby or in breach of or default under any applicable judgment or decree or any loan agreement, note, resolution, ordinance, agreement or other instrument to which KUB is a party or to which it or any of its property is otherwise subject; and the execution and delivery of this Bond Purchase Agreement, the Bonds and the adoption of the Bond Resolution, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, ordinance, agreement or other instrument to which KUB is a party or to which it or any of its property is otherwise subject;

(h) Except as may be required under the securities or "blue sky" laws of any state, all approvals, consents, authorizations and orders of, filings with or certifications by any governmental authority, board, agency or commission having jurisdiction, which would constitute a condition precedent to the performance by KUB of its obligations hereunder and under the Bond Resolution and the Bonds, have been obtained;

(i) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of KUB, threatened against KUB or others (a) affecting KUB or the corporate existence of KUB or the titles of its officers to their respective offices, (b) seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of Net Revenues pledged to pay the principal of and interest on the Bonds, or the pledge

thereof, (c) in any way contesting or affecting the transactions contemplated hereby or by the Official Statement or by the validity or enforceability of the Bonds, the Bond Resolution or this Bond Purchase Agreement, (d) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or (e) contesting the powers or authority of KUB for the issuance of the Bonds, the adoption of the Bond Resolution or the execution and delivery of this Bond Purchase Agreement;

(j) KUB will not take or omit to take any action that will in any way cause the proceeds from the sale of the Bonds and other moneys of KUB to be transferred on the date of issuance of the Bonds to be applied or result in such proceeds and other moneys being applied in a manner other than as provided in or permitted by the Bond Resolution and consistent with the utilization described in the Official Statement;

(k) KUB agrees reasonably to cooperate with the Underwriter and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Underwriter may request. KUB hereby consents to the use of the Official Statement and the Bond Resolution by the Underwriter in obtaining any qualification required;

(l) If at any time from the date of this Bond Purchase Agreement through 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12 described below) any event shall occur that might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, KUB shall notify the Underwriter and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, KUB will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. If the Official Statement is so supplemented or amended prior to the Closing, such approval by the Underwriter of a supplement or amendment to the Official Statement shall not preclude the Underwriter from thereafter terminating this Bond Purchase Agreement, and if the Official Statement is so amended or supplemented subsequent to the date hereof and prior to the Closing, the Underwriter may terminate this Bond Purchase Agreement by notification to KUB at any time prior to the Closing if, in the judgment of the Underwriter, such amendment or supplement has or will have a material adverse effect on the marketability of the Bonds;

(m) KUB has duly authorized and approved the execution and delivery of this Bond Purchase Agreement and the performance by KUB of the obligations on its part contained herein;

(n) KUB is not, nor has it at any time, been in default in the payment of principal of or interest on any obligation issued or guaranteed by KUB;

(o) Any certificate signed by an authorized officer of KUB and delivered to the Underwriter at or prior to the Closing shall be deemed a representation and warranty by KUB in connection with this Bond Purchase Agreement to the Underwriter as to the statements made therein upon which the Underwriter shall be entitled to rely. KUB covenants that between the date hereof and the Closing, it will not take any action that will cause the representations and warranties made herein to be untrue as of the Closing;

(p) The Bonds, when issued, authenticated and delivered in accordance with the Bond Resolution and sold to the Underwriter as provided herein, will be validly issued and outstanding special obligations of KUB entitled to the benefits of the Bond Resolution;

(q) KUB has lawful authority to operate the System, to consummate the transactions contemplated by the Official Statement and collect revenues, fees and other charges in connection with

the System and through its Board of Commissioners, to fix the rates, fees and other charges with respect to the System; and

(r) KUB hereby covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about KUB, for the benefit of the beneficial owners of the Bonds on or before the date of delivery of the Bonds as required under paragraph (b)(5) of Rule 15c2-12. The Undertaking shall be as described in the Preliminary Official Statement, with such changes as may be agreed in writing by the Underwriter. KUB represents that it has complied in all respects with its obligations to provide continuing disclosure of certain information as described in that certain Continuing Disclosure Certificate entered into in connection with the issuance of the Bonds.

5. Delivery of, and Payment for, the Bonds.

At 10:00 a.m. on or about \_\_\_\_\_, 201\_\_, or at such other time or date as shall have been mutually agreed upon by KUB and the Underwriter, KUB will deliver, or cause to be delivered, to the Underwriter the other documents hereinafter mentioned and, subject to the conditions contained herein, the Underwriter will accept such delivery and pay the purchase price of the Bonds plus accrued interest payable to the order of KUB, in federal funds or other immediately available funds by delivering to KUB such funds by wire transfer to KUB or its designated agent except that physical delivery of the Bonds shall be made through the facilities of the Depository Trust Company.

Payment for the Bonds shall be confirmed and delivery of the documents as aforesaid shall be made at the offices of KUB, or such other place as may be agreed upon by the Underwriter and KUB. Such payment and delivery is herein called the "Closing." The Bonds will be delivered as fully registered bonds in such names and in such denominations as shall be designated in writing by the Underwriter to KUB at Closing.

6. Certain Conditions to Underwriter's Obligations.

The obligations of the Underwriter hereunder shall be subject to (i) the performance by KUB of its obligations to be performed hereunder, (ii) the accuracy in all material respects of the representations and warranties of KUB herein as of the date hereof and as of the date of the Closing, and (iii) to the following conditions:

(a) At the time of Closing, (i) the Bond Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, (ii) the proceeds of the sale of the Bonds shall be applied as described in the Official Statement, and (iii) KUB shall have duly adopted and there shall be in full force and effect such other resolutions as, in the opinion of Bass Berry & Sims PLC, Knoxville, Tennessee ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby;

(b) At or prior to the Closing, the Underwriter shall have received an executed copy of each of the following documents:

(1) the approving opinion, dated the date of the Closing, of Bond Counsel addressed to KUB and the Underwriter, relating to, among other things, the validity of the Bonds [and the exclusion from gross income of the interest on the Bonds for federal and State of Tennessee income tax purposes,] in substantially the form set forth as Appendix \_ to the Official Statement;

(2) a supplemental opinion, dated the date of the Closing, of Bond Counsel addressed to the Underwriter in substantially the form of Exhibit A hereto;

(3) an opinion, dated the date of the Closing, of Hodges, Doughty & Carson, Knoxville, Tennessee, counsel to KUB, addressed to KUB, Bond Counsel and the Underwriter in substantially the form of Exhibit B hereto;

(4) a certificate of KUB, dated the date of the Closing and signed by a duly authorized officer of KUB and in form and substance reasonably satisfactory to the Underwriter, to the effect that (i) since the execution of the Bond Purchase Agreement no material and adverse change has occurred in the financial position of the System or results of operations of the System; (ii) KUB has not incurred any material liabilities secured by the Net Revenues of the System other than in the ordinary course of business or as set forth in or contemplated by the Official Statement; and (iii) no event affecting KUB has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading as of the date of Closing;

(5) the Official Statement executed on behalf of KUB by a duly authorized officer thereof;

(6) the Bond Resolution and the Bonds;

(7) a certificate of a duly authorized officer of KUB, satisfactory to the Underwriter, dated the date of Closing, stating that such officer is charged, either alone or with others, with the responsibility for issuing the Bonds; setting forth, in the manner permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), the reasonable expectations of KUB as of such date as to the use of proceeds of the Bonds and of any other funds of KUB expected to be used to pay principal or interest on the Bonds and the facts and estimates on which such expectations are based; and stating that, to the best of the knowledge and belief of the certifying officer, KUB's expectations are reasonable;

(8) evidence indicating a rating on the Bonds of "\_\_\_" by [rating agency];

(9) other certificates of KUB listed on a Closing Memorandum to be approved by counsel to KUB, Bond Counsel and counsel to the Underwriter, including any certificates or representations required in order for Bond Counsel to deliver the opinion referred to in Paragraph 7(b) (1) of this Bond Purchase Agreement; and such additional legal opinions, certificates, proceedings, instruments and other documents as the counsel to the Underwriter or Bond Counsel may reasonably request to evidence compliance by KUB with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of KUB contained herein and the due performance or satisfaction by KUB at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by KUB.

All such opinions, certificates, letters, agreements and documents will be in compliance with the provisions hereof only if they are satisfactory in form and substance to the Underwriter and counsel to the Underwriter. KUB will furnish the Underwriter with such conformed copies or photocopies of such opinions, certificates, letters, agreements and documents as the Underwriter may reasonably request.

(c) The Underwriter shall have received within seven (7) business days from the date hereof and within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the Official Statement in sufficient quantity as may be reasonably requested by the Underwriter in order to comply with Rule 15(c) 2-12.

7. Termination.

The Underwriter shall have the right to cancel its obligation to purchase the Bonds if (i) between the date hereof and the Closing, legislation shall be enacted or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a bill to amend the Internal Revenue Code (which, if enacted, would take effect in whole or in part prior to the Closing) shall be filed in either house, or recommended for passage by the Congress by any joint or conference committee thereof, or a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling, regulation or statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed to be made, with respect to the federal taxation upon interest on obligations of the general character of the Bonds, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly of changing the federal income tax consequences of any of the transactions contemplated in connection herewith, including the tax-exempt status of KUB and, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, or (ii) there shall exist any event which in the Underwriter's judgment either (a) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (b) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, or (iii) there shall have occurred any outbreak of hostilities or any national or international calamity or crisis including financial crisis, or a financial crisis or a default with respect to the debt obligations of, or the institution of proceedings under the federal or the state bankruptcy laws by or against the State of Tennessee or any subdivision, agency or instrumentality of such State, the effect of which on the financial markets of the United States being such as, in the reasonable judgment of the Underwriter, would make it impracticable for the Underwriter to market the Bonds or to enforce contracts for the sale of the Bonds, or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange, or (v) a general banking moratorium shall have been declared by either federal, Tennessee or New York authorities, or (vi) there shall have occurred since the date of this Bond Purchase Agreement any material adverse change in the financial position of the System, except for changes which the Official Statement discloses have occurred or may occur, or (vii) legislation shall be enacted or any action shall be taken by the Securities and Exchange Commission which, in the opinion of counsel for the Underwriter, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Bond Resolution or any other document executed in connection with the transactions contemplated hereof to be qualified under the Trust Indenture Act of 1939, as amended, or (viii) a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the Bonds, or of obligations of the general character of the Bonds as contemplated hereby, or the offering of any other obligation which may be represented by the Bonds is in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or (ix) any state blue sky or securities commission shall have withheld registration, exemption or clearance of the offering, and in the reasonable judgment of the Underwriter the market for the Bonds is materially affected thereby.

If KUB shall be unable to satisfy any of the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement and such condition is not waived by the Underwriter, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds shall be terminated or canceled for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor KUB shall be under further obligation

hereunder; except that the respective obligations to pay expenses, as provided in Section 10 hereof, shall continue in full force and effect.

8. Particular Covenants.

KUB covenants and agrees with the Underwriter as follows:

(a) KUB shall use its best efforts to furnish or cause to be furnished to the Underwriter, without charge, as many copies of the Official Statement as the Underwriter may reasonably request;

(b) Before revising, amending or supplementing the Official Statement, KUB shall furnish a copy of the revised Official Statement or such amendment or supplement to the Underwriter. If in the opinion of KUB and the Underwriter a supplement or amendment to the Official Statement is required, KUB will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter and its counsel.

9. Survival of Representations.

All representations, warranties and agreements of KUB hereunder shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of the Bonds.

10. Payment of Expenses.

Whether or not the Bonds are sold to the Underwriter by KUB, KUB shall pay, but only out of the proceeds of the sale of the Bonds or other funds made available by KUB, any expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of the preparation and printing of the Official Statement and any supplements thereto, together with a number of copies which the Underwriter deems reasonable; (ii) the cost of the preparation and printing of the definitive Bonds; (iii) the rating agency fees; and (iv) the fees and disbursements of Counsel to KUB and Bond Counsel and any other experts or consultants retained by KUB.

Whether or not the Bonds are sold to the Underwriter, the Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds; (ii) the cost of preparing and printing the blue sky memorandum, if any, and filing fees in connection with the aforesaid blue sky memorandum other than the costs of preparation of the Preliminary Official Statement and the Official Statement; and (iii) all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds, including the fees and expenses of the Underwriter's counsel.

11. No Advisory or Fiduciary Role.

KUB acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between KUB and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and are not acting as the agent, advisor or fiduciary of KUB, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of KUB with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliates of the Underwriter, has provided other services or are currently providing other services to KUB on other matters) and the Underwriter has no obligation to KUB with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Underwriter

has financial and other interests that differ from those of KUB and (v) KUB has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

KUB and the Underwriter represent and warrant that no finder or other agent has been employed by either KUB or the Underwriter in connection with this transaction.

12. Notices.

Any notice or other communication to be given to KUB under this Bond Purchase Agreement may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

13. Parties.

This Bond Purchase Agreement is made solely for the benefit of KUB and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

14. Governing Law.

This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

15. General.

This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which will constitute one and the same instrument. The section headings of this Bond Purchase Agreement are for convenience of reference only and shall not affect its interpretation. This Bond Purchase Agreement shall become effective upon your acceptance hereof.

Very truly yours,

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Accepted and agreed to as of  
the date first above written:

KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
Senior Vice President and Chief Financial Officer

**EXHIBIT A TO BOND PURCHASE AGREEMENT**

**[LETTERHEAD OF BASS BERRY & SIMS PLC]**

[Closing Date]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Ladies and Gentlemen:

This opinion is being rendered to you pursuant to Paragraph 6(b)(2) of the Bond Purchase Agreement, dated \_\_\_\_\_, 201\_\_ (the "Bond Purchase Agreement"), between \_\_\_\_\_ (the "Underwriter"), and Knoxville Utilities Board ("KUB"), relating to the sale by KUB of its Wastewater System Revenue Refunding Bonds, Series 2015A, in the aggregate principal amount of \$140,000,000 (the "Bonds"). Terms which are used herein and not otherwise defined shall have the meanings assigned to them in the Bond Purchase Agreement.

Of even date herewith, we have delivered our approving opinion in connection with the issuance of the Bonds. In our capacity as Bond Counsel, we have reviewed a record of proceedings in connection with the issuance of the Bonds and we have participated in conferences from time to time with counsel to KUB, representatives of the Underwriter and counsel to the Underwriter, relative to the Official Statement, dated \_\_\_\_\_, 201\_\_, relating to the Bonds, and the related documents described below. We have also examined such other agreements, documents and certificates, and have made such investigations of law, as we have deemed necessary or appropriate in rendering the opinions set forth below.

Based on the foregoing, we are of the opinion that, as of the date hereof:

1. The offer and sale of the Bonds to the public do not require any registration under the Securities Act of 1933, as amended, and, in connection therewith, the Bond Resolution does not need to be qualified under the Trust Indenture Act of 1939, as amended.

2. The statements contained in the Official Statement under the captions "Introduction" to the extent the narrative thereunder purports to describe the terms of the Bonds and the legal authority by which they are issued, "The Bonds," and in Appendix A to the Official Statement, insofar as such statements purport to summarize certain provisions of the Bonds and the Bond Resolution, fairly summarize such provisions. The statements contained in the Official Statement under the caption "Opinion of Bond Counsel" are correct as to matters of law.

This opinion may be relied upon only by the Underwriter and by other persons to whom written permission to rely hereon is granted by us.

Very truly yours,

**EXHIBIT B TO BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 201\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Bass Berry & Sims  
900 South Gay Street, Suite 1700  
Knoxville, Tennessee 37902

Ladies and Gentlemen:

**Re: City of Knoxville, Tennessee acting on behalf of the Knoxville Utilities Board \$140,000,000 Wastewater System Revenue Refunding Bonds, Series 2015A**

Ladies and Gentlemen:

You have requested that the undersigned, General Counsel to the Knoxville Utilities Board of the City of Knoxville, Tennessee ("KUB"), render this opinion in connection with the execution, delivery and sale of the captioned bonds (the "Bonds"), the proceeds of which will be used to refinance the outstanding principal amount of the City's outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040, the City's outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 and the City's outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025.

It is our opinion that KUB is duly established and validly existing pursuant to the Charter of the City of Knoxville, Tennessee (the "Municipality"), and, pursuant to said Charter and the wastewater system of the Municipality (the "System") is under the jurisdiction, control and management of KUB.

The undersigned does hereby certify that no litigation of any nature is now pending or, to our knowledge, threatened

- (1) seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds;
- (2) seeking to restrain or enjoin the charging of sufficient rates to pay the cost of operating, maintaining, repairing and insuring the System and to pay principal of and interest on the Bonds and all outstanding obligations payable from the revenues of the System;
- (3) in any manner questioning the proceedings or authority pursuant to which the Bonds are authorized or issued or such rates are charged;
- (4) in any manner questioning or relating to the validity of the Bonds;
- (5) contesting in any way the completeness or accuracy of the Official Statement prepared and distributed in connection with the sale of the Bonds;

(6) in any way contesting the corporate existence or boundaries of the Municipality, except for various pending actions challenging past or present annexation efforts of the Municipality, which will have no material adverse effect on the revenues of the System;

(7) contesting the title of the present officers of KUB to their respective offices; or

(8) contesting the powers of KUB or the authority of KUB with respect to the Bonds, or proceedings authorizing the Bonds, or any act to be done or document or certificate to be executed or delivered in connection with the issuance and delivery of the Bonds.

Neither the voters of the Municipality nor its governing body nor the Board of Commissioners of KUB have approved any special, local or private act or legislation passed by the General Assembly of the State of Tennessee at its most recent session or any amendments to the Charter of the Municipality affecting the power of the Municipality to issue the Bonds or pay the principal of, premium, if any, and interest on the Bonds when due or affecting the power of the Board of Commissioners of KUB to manage and control the System.

I hereby certify that \_\_\_\_\_ and \_\_\_\_\_ are the duly qualified, appointed and acting Chair and Secretary, respectively, of the Board of Commissioners of KUB with full power to act as such officers on behalf of KUB in connection with the execution and delivery of the Bonds.

Yours truly,

**EXHIBIT B**

**FORM OF REFUNDING ESCROW AGREEMENT**

**CITY OF KNOXVILLE, TENNESSEE  
ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD  
\$140,000,000 WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2015A**

**REFUNDING ESCROW AGREEMENT**

This Refunding Escrow Agreement is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 201\_\_, by and between Knoxville Utilities Board ("KUB") acting on behalf of the City of Knoxville, Tennessee (the "City") and \_\_\_\_\_, \_\_\_\_\_, Tennessee (the "Agent").

**WITNESSETH:**

WHEREAS, the Board of Commissioners (the "Board") of KUB has determined to provide for payment of the City's outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040, the City's outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 and the City's outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 (collectively, the "Refunded Bonds") by depositing in escrow with the Agent funds that, with the investment income therefrom, will be sufficient to pay the principal of and interest on the portion of the Refunded Bonds set forth on Exhibit A hereto; and

WHEREAS, in order to obtain the funds needed to refund the Refunded Bonds, the City has authorized and issued its Wastewater System Revenue Refunding Bonds, Series 2015A, dated \_\_\_\_\_, 2015 (the "Refunding Bonds"); and

WHEREAS, a portion of the proceeds derived from the sale of the Refunding Bonds and certain funds of KUB, if any, will be deposited in escrow with the Agent hereunder and applied to the purchase of certain securities described herein, the principal amount thereof together with interest thereon to mature at such times and in such amounts as shall be sufficient to pay when due all of the principal of, premium, if any, and interest on the Refunded Bonds identified on Exhibit A; and

WHEREAS, in order to create the escrow hereinabove described, provide for the deposit of the proceeds of the Refunding Bonds and the application thereof, and provide for the payment of the Refunded Bonds, the parties hereto do hereby enter into this Agreement;

NOW, THEREFORE, KUB, in consideration of the foregoing and the mutual covenants herein set forth and in order to secure the payment of the Refunded Bonds according to their tenor and effect, does by these presents hereby grant, warrant, demise, release, convey, assign, transfer, alien, pledge, set over and confirm, to the Agent, and to its successors hereunder, and to it and its assigns forever, in escrow, all and singular the property hereinafter described to wit:

## DIVISION I

All right, title and interest of KUB and the City in and to \$\_\_\_\_\_ derived from the proceeds of the sale of the Refunding Bonds and \$\_\_\_\_\_ derived from other funds of KUB.

## DIVISION II

All right, title and interest of KUB and the City in and to the Government Securities purchased with the funds described in Division I hereof and to all income, earnings and increment derived from or accruing to the Government Securities.

## DIVISION III

Any and all other cash or eligible investments from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred in escrow hereunder by KUB or by anyone in its behalf to the Agent, which is hereby authorized to receive the same at any time to be held in escrow hereunder.

## DIVISION IV

Any other cash or eligible investments that is by the express provisions of this Agreement required to be subject to the pledge hereof and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subject to the pledge hereof, by KUB or by anyone in its behalf, and the Agent is hereby authorized to receive the same at any time to be held in escrow hereunder.

TO HAVE AND TO HOLD, all and singular, the escrowed property, including all additional property which by the terms hereof has or may become subject to this Agreement, unto the Agent, and its successors and assigns, forever.

The escrowed property shall be held in escrow for the benefit and security of the owners from time to time of the portion of the Refunded Bonds identified on Exhibit A; but if the principal of and interest on the portion of the Refunded Bonds identified on Exhibit A shall be fully and promptly paid when due in accordance with the terms hereof, then this Agreement shall be and become void and of no further force and effect, otherwise the same shall remain in full force and effect, subject to the covenants and conditions hereinafter set forth.

## ARTICLE I DEFINITIONS AND CONSTRUCTION

SECTION 1.1 Definitions. In addition to words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings, unless some other meaning is plainly intended:

"Agent" means \_\_\_\_\_, \_\_\_\_\_, Tennessee, its successors and assigns;

"Agreement" means this Refunding Escrow Agreement;

"Board" means the Board of Commissioners of KUB;

"City" means the City of Knoxville, Tennessee;

"Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated thereunder;

"Escrow Fund" shall have the meaning ascribed to it in Section 2.1 hereof;

"Escrow Property," "escrow property" or "escrowed property" means the property, rights and interest of KUB that are described in Divisions I through IV of this Agreement and hereinabove conveyed in escrow to the Agent;

"Government Securities" means obligations and securities described in Section 9-21-1012, Tennessee Code Annotated that are purchased pursuant to the terms of the Escrow Reinvestment Agreement on this Agreement;

"KUB" means Knoxville Utilities Board, Knoxville, Tennessee;

"Refunded Bonds" means the City's Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040, the City's outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 and the City's outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025;

"Refunding Bonds" means the City's Wastewater System Revenue Refunding Bonds, Series 2015A, dated \_\_\_\_\_, 2015;

"Written Request" means a request in writing signed by the President and Chief Executive Officer of KUB, the Chief Financial Officer of KUB or by any other officer or official of KUB duly authorized by KUB to act in their place.

SECTION 1.2 Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. The word "person" shall include corporations, associations, natural persons and public bodies unless the context shall otherwise indicate. Reference to a person other than a natural person shall include its successors.

## ARTICLE II ESTABLISHMENT AND ADMINISTRATION OF FUNDS

SECTION 2.1 Creation of Escrow; Deposit of Funds. KUB hereby creates and establishes with the Agent a special and irrevocable escrow composed of the Escrowed Property and hereby deposits with the Agent and the Agent hereby acknowledges receipt of \$\_\_\_\_\_ as described in Division I hereof. The monies so deposited, together with investment income therefrom, is herein referred to as the "Escrow Fund" and shall constitute a fund to be held by the Agent as a part of the Escrowed Property created, established, and governed by this Agreement.

SECTION 2.2 Investment of Funds. The monies described in Section 2.1 hereof shall be held or invested as follows:

- (a) the amount of \$\_\_\_\_\_ shall be used to purchase the Government Securities described on Exhibit B attached hereto; and

(b) the amount of \$\_\_\_\_\_ shall be held as cash in a non-interest-bearing account.

Except as provided in Sections 2.4 and 2.6 hereof, the investment income from the Government Securities in the Escrow Fund shall be credited to the Escrow Fund and shall not be reinvested. The Agent shall have no power or duty to invest any monies held hereunder or to make substitutions of Government Securities held hereunder or to sell, transfer, or otherwise dispose of the Government Securities acquired hereunder except as provided herein.

Section 2.3. Disposition of Escrow Funds. The Agent shall without further authorization or direction from KUB collect the principal and interest on the Government Securities promptly as the same shall fall due. From the Escrow Fund, to the extent that monies therein are sufficient for such purpose, the Agent shall make timely payments to the paying agent or its successor, for the Refunded Bonds of monies sufficient for the payment of the principal of and interest on the Refunded Bonds as the same shall become due and payable. Amounts and dates of principal and interest payments and the name and address of the paying agent with respect to the Refunded Bonds are set forth on Exhibit A. Payment on the dates and to the paying agent in accordance with Exhibit A shall constitute full performance by the Agent of its duties hereunder with respect to each respective payment. KUB represents and warrants that the Escrow Fund, if held, invested and disposed of by the Agent in accordance with the provisions of this Agreement, will be sufficient to make the foregoing payments. No paying agent fees, fees and expenses of the Agent, or any other costs and expenses associated with the Refunding Bonds or the Refunded Bonds shall be paid from the Escrow Fund, and KUB agrees to pay all such fees, expenses, and costs from its legally available funds as such payments become due. When the Agent has made all required payments of principal and interest on the Refunded Bonds to the paying agent as hereinabove provided, the Agent shall transfer any monies or Government Securities then held hereunder to KUB and this Agreement shall terminate.

Section 2.4. Excess Funds. Amounts held by the Agent, representing interest on the Government Securities in excess of the amount necessary to make the corresponding payment of principal and/or interest on the Refunded Bonds, shall be held by the Agent and invested pursuant to the Escrow Reinvestment Agreement without interest and shall be applied before any other Escrow Fund monies to the payment of the next ensuing principal and/or interest payment on the Refunded Bonds. Upon retirement of all the Refunded Bonds, the Agent shall pay any excess amounts remaining in the Escrow Fund to KUB.

Section 2.5. Reports. The Escrow Agent shall deliver to KUB a monthly report summarizing all transactions relating to the Escrow Fund; and on or before the first day of August of each year shall deliver to the Chief Financial Officer of KUB a report current as of June 30 of that year, which shall summarize all transactions relating to the Escrow Fund effected during the immediately preceding fiscal year of KUB and which also shall set forth all assets in the Escrow Fund as of June 30 and set forth opening and closing balances thereof for that fiscal year.

Section 2.6 Investment of Moneys Remaining in Escrow Fund. The Agent may invest and reinvest any monies remaining from time to time in the Escrow Fund until such time as they are needed. Such monies shall be invested in Government Securities, maturing no later than the next interest payment date of the Refunded Bonds, or for such periods or at such interest rates as the Agent shall be directed by Written Request, provided, however, that KUB shall furnish the Agent, as a condition precedent to such investment, with an opinion from nationally recognized bond counsel stating that such reinvestment of such monies will not, under the statutes, rules and regulations then in force and applicable to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on the Refunding Bonds or the

Refunded Bonds not to be excluded from gross income for federal income tax purposes and that such investment is not inconsistent with the statutes and regulations applicable to the Refunding Bonds and Refunded Bonds. Any interest income resulting from reinvestment of monies pursuant to this Section 2.6 shall be applied first to the payment of principal of and interest on the Refunded Bonds to the extent the Escrow is or will be insufficient to retire the Refunded Bonds as set forth on Exhibit A and any excess shall be paid to KUB to be applied to the payment of the Refunding Bonds or the expenses of issuance thereof.

Section 2.7. Irrevocable Escrow Created. The deposit of monies, Government Securities, matured principal amounts thereof, and investment proceeds therefrom in the Escrow Fund shall constitute an irrevocable deposit of said monies and Government Securities for the benefit of the holders of the Refunded Bonds, except as provided herein with respect to amendments permitted under Section 4.1 hereof. All the funds and accounts created and established pursuant to this Agreement shall be and constitute escrow funds for the purposes provided in this Agreement and shall be kept separate and distinct from all other funds of KUB and the Agent and used only for the purposes and in the manner provided in this Agreement.

Section 2.8. Redemption of Refunded Bonds. The Refunded Bonds shall be redeemed as stated on Exhibits C-1, C-2 and C-3 attached hereto.

### ARTICLE III CONCERNING THE AGENT

SECTION 3.1 Appointment of Agent. KUB hereby appoints the Agent as escrow agent under this Agreement.

SECTION 3.2 Acceptance by Agent. By execution of this Agreement, the Agent accepts the duties and obligations as Agent hereunder. The Agent further represents that it has all requisite power, and has taken all corporate actions necessary to execute the escrow hereby created.

SECTION 3.3 Liability of Agent. The Agent shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by KUB or any paying agent of its obligations, or to protect any of KUB's rights under any bond proceedings or any of KUB's other contracts with or franchises or privileges from any state, county, municipality or other governmental agency or with any person. The Agent shall not be liable for any act done or step taken or omitted to be taken by it, or for any mistake of fact or law, or anything which it may do or refrain from doing, except for its own gross negligence or willful misconduct in the performance or nonperformance of any obligation imposed upon it hereunder. The Agent shall not be responsible in any manner whatsoever for the recitals or statements contained herein or in the Refunded Bonds or in the Refunding Bonds or in any proceedings taken in connection therewith, but they are made solely by KUB. The Agent shall have no lien whatsoever upon any of the monies or investments in the Escrow Fund for the payment of fees and expenses for services rendered by the Agent under this Agreement.

The Agent shall not be liable for the accuracy of the calculations as to the sufficiency of Escrow Fund monies and Government Securities and the earnings thereon to pay the Refunded Bonds. So long as the Agent applies any monies, the Government Securities and the interest earnings therefrom to pay the Refunded Bonds as provided herein, and complies fully with the terms of this Agreement, the Agent shall not be liable for any deficiencies in the amounts necessary to pay the Refunded Bonds caused by such calculations. The Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this Agreement and in full compliance with the provisions hereof.

In the event of the Agent's failure to account for any of the Government Securities or monies received by it, said Government Securities or monies shall be and remain the property of KUB in escrow for the benefit of the holders of the Refunded Bonds, as herein provided, and if for any improper reason such Government Securities or monies are applied to purposes not provided for herein or misappropriated by the Agent, the assets of the Agent shall be impressed with a trust for the amount thereof until the required application of such funds shall be made or such funds shall be restored to the Escrow Fund.

SECTION 3.4 Permitted Acts. The Agent and its affiliates may become the owner of or may deal in the Refunding Bonds or Refunded Bonds as fully and with the same rights as if it were not the Agent.

SECTION 3.5 Exculpation of Funds of Agent. Except as set forth in Section 3.3, none of the provisions contained in this Agreement shall require the Agent to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Agent shall be under no liability for interest on any funds or other property received by it hereunder, except as herein expressly provided.

SECTION 3.6 No Redemption or Acceleration of Maturity. The Agent will not pay any of the principal of or interest on the Refunded Bonds, except as provided in Exhibit A attached hereto and will not redeem or accelerate the maturity of any of the Refunded Bonds except as provided in Section 2.9 hereof.

SECTION 3.7 Qualifications of Agent. There shall at all times be an Agent hereunder that shall be a corporation or banking association organized and doing business under the laws of the United States or any state, located in the State of Tennessee, authorized under the laws of its incorporation to exercise the powers herein granted, having a combined capital, surplus, and undivided profits of at least \$75,000,000 and subject to supervision or examination by federal or state authority. If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this paragraph the combined capital, surplus, and undivided profits of such corporation or association shall be deemed to be its combined capital, surplus, and undivided profits as set forth in its most recent report of condition as published. In case at any time the Agent shall cease to be eligible in accordance with the provisions of this section, the Agent shall resign immediately in the manner and with the effect specified herein.

SECTION 3.8 Resignation of Agent. The Agent may at any time resign by giving direct written notice to KUB and by giving the holders of the Refunded Bonds notice by first-class mail of such resignation. Upon receiving such notice of resignation, KUB shall promptly appoint a successor escrow agent in the manner provided in the resolution authorizing the Refunding Bonds. If no successor escrow agent shall have been appointed and have accepted appointment within thirty (30) days after the publication of such notice of resignation, the resigning Agent may petition any court of competent jurisdiction located in Knox County, Tennessee, for the appointment of a successor, or any holder of the Refunded Bonds may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor meeting the qualifications set forth in Section 3.7. The Agent shall serve as escrow agent hereunder until its successor shall have been appointed and such successor shall have accepted the appointment.

SECTION 3.9 Removal of Agent. In case at any time the Agent shall cease to be eligible in accordance with the provisions of Section 3.8 hereof and shall fail to resign after written request therefor by KUB or by any holder of the Refunded Bonds, or the Agent shall become incapable of acting, shall be adjudged a bankrupt or insolvent or a receiver of the Agent or any of its property shall be appointed, or any public officer shall take charge or control of the Agent or its property or affairs for the purpose of rehabilitation, conservation, or liquidation, then in any such case, the Board may remove the Agent and appoint a successor in the manner provided in the resolution authorizing the Refunding Bonds or any such bondholder may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction situated in Knox County, Tennessee for the removal of the Agent and the appointment of a successor. Such court may thereupon, after such notice, if any, as it may deem proper, remove the Agent and appoint a successor who shall meet the qualifications set forth in Section 3.8. Unless incapable of serving, the Agent shall serve as escrow agent hereunder until its successor shall have been appointed and such successor shall have accepted the appointment.

The holders of a majority in aggregate principal amount of all the Refunded Bonds at any time outstanding may at any time remove the Agent and appoint a successor by an instrument or concurrent instruments in writing signed by such bondholders and presented, together with the successor's acceptance of appointment, to KUB and the Agent.

Any resignation or removal of the Agent and appointment of a successor pursuant to any of the provisions of this Agreement shall become effective upon acceptance of appointment by the successor as provided in Section 3.10 hereof.

SECTION 3.10 Acceptance by Successor. Any successor escrow agent appointed as provided in this Agreement shall execute, acknowledge and deliver to KUB and to its predecessor an instrument accepting such appointment hereunder and agreeing to be bound by the terms hereof, and thereupon the resignation or removal of the predecessor shall become effective and such successor, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Agent herein; but, nevertheless, on Written Request of KUB or the request of the successor, the predecessor shall execute and deliver an instrument transferring to such successor all rights, powers and escrow property of the predecessor. Upon request of any such successor, KUB shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor all such rights, powers and duties. No successor shall accept appointment as provided herein unless at the time of such acceptance such successor shall be eligible under the provisions of Section 3.7 hereof.

Any corporation into which the Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Agent shall be a party, or any corporation succeeding to the business of the Agent, shall be the successor of the Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor shall be eligible under the provisions of Section 3.7 hereof.

SECTION 3.11 Payment to Agent. KUB agrees to pay the Agent, as reasonable and proper compensation under this Agreement, a one-time fee of \$\_\_\_\_. The Agent shall be entitled to reimbursement of all advances, counsel fees and expenses, and other costs made or incurred by the Agent in connection with its services and/or its capacity as Agent or resulting therefrom. In addition, KUB agrees to pay to the Agent all out-of-pocket expenses and costs of the Agent incurred by the Agent in the performance of its duties hereunder, including all publication, mailing and other expenses associated with the redemption of the Refunded Bonds; provided, however, that KUB agrees, to the extent permitted by law, to indemnify the Agent and hold it harmless against any liability (unless such liability is due to the

gross negligence or willful misconduct of the Agent) which it may incur while acting in good faith in its capacity as Agent under this Agreement, including, but not limited to, any court costs and attorneys' fees, and such indemnification shall be paid from available funds of KUB and shall not give rise to any claim against the Escrow Fund.

#### ARTICLE IV MISCELLANEOUS

SECTION 4.1 Amendments to this Agreement. This Agreement is made for the benefit of KUB, the holders from time to time for the Refunded Bonds, and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Agent and KUB; provided, however, that KUB and the Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Agent for the benefit of the holders of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Agent shall be entitled to rely exclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Notwithstanding the foregoing or any other provision of this Agreement, upon Written Request and upon compliance with the conditions hereinafter stated, but only with the consent of the Provider, the Agent shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of all or any portion of the Government Securities held hereunder and to substitute therefor direct obligations of, or obligations the principal of and interest on which are fully guaranteed by the United States of America, subject to the condition that such monies or securities held by the Agent shall be sufficient to pay principal of and interest on the Refunded Bonds. KUB hereby covenants and agrees that it will not request the Agent to exercise any of the powers described in the preceding sentence in any manner which will cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 148 of the Code in effect on the date of such request and applicable to obligations issued on the issue date of the Refunding Bonds. The Agent shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the Government Securities held hereunder or from other monies available. The transactions may be effected only if there shall have been submitted to the Agent: (1) an independent verification by a nationally recognized independent certified public accounting firm concerning the adequacy of such substituted securities with respect to principal and the interest thereon and any other monies or securities held for such purpose to pay when due the principal of and interest on the Refunded Bonds in the manner required by the proceedings which authorized their issuance; and (2) an opinion from nationally recognized bond counsel to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on the Refunding Bonds not to be exempt from Federal income

taxation. Any surplus monies resulting from the sale, transfer, other disposition or redemption of the Government Securities held hereunder and the substitutions therefor of direct obligations of, or obligations the principal of and interest on which is fully guaranteed by, the United States of America, shall be released from the Escrow Fund and shall be transferred to KUB.

SECTION 4.2 Severability. If any provision of this Agreement shall be held or deemed to be invalid or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

SECTION 4.3 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Tennessee.

SECTION 4.4 Notices. Any notice, request, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by Registered or Certified Mail, postage prepaid, or sent by telegram as follows:

To KUB:

Chief Financial Officer  
Knoxville Utilities Board  
445 Gay Street  
Knoxville, Tennessee 37902

To the Agent:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

KUB and the Agent may designate in writing any further or different addresses to which subsequent notices, requests, communications or other papers shall be sent.

SECTION 4.5 Agreement Binding. All the covenants, promises and agreements in this Agreement contained by or on behalf of the parties shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 4.6 Termination. This Agreement shall terminate when all transfers and payments required to be made by the Agent under the provisions hereof shall have been made.

SECTION 4.7 Execution by Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, KUB has caused this Agreement to be signed in its name by its President and Chief Executive Officer and attested by the Secretary of its Board of Commissioners, and the Agent has caused this Agreement to be signed in its corporate name by its duly authorized officers, all as of the day and date first above written.

CITY OF KNOXVILLE, TENNESSEE  
by and through the  
KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
President and Chief Executive Officer

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Escrow Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A TO REFUNDING ESCROW AGREEMENT

Debt Service Schedule of the refunded Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040 to the Redemption Date with name and address of the Paying Agent and Date and Amount of Redemption

<u>Payment Date</u>	<u>Principal Payable</u>	<u>Principal Redeemed</u>	<u>Interest Payable</u>	<u>Redemption Premium</u>	<u>Total Debt Service</u>
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Totals:

Paying Agent: Regions Bank  
Nashville, Tennessee

Debt Service Schedule of the refunded Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 to the Redemption Date with name and address of the Paying Agent and Date and Amount of Redemption

<u>Payment Date</u>	<u>Principal Payable</u>	<u>Principal Redeemed</u>	<u>Interest Payable</u>	<u>Redemption Premium</u>	<u>Total Debt Service</u>
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Totals:

Paying Agent: Regions Bank  
Nashville, Tennessee

Debt Service Schedule of the refunded Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 to the Redemption Date with name and address of the Paying Agent and Date and Amount of Redemption

<u>Payment Date</u>	<u>Principal Payable</u>	<u>Principal Redeemed</u>	<u>Interest Payable</u>	<u>Redemption Premium</u>	<u>Total Debt Service</u>
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Totals:

Paying Agent: Regions Bank  
Nashville, Tennessee

EXHIBIT B TO REFUNDING ESCROW AGREEMENT

Government Securities

Par Amount

Interest Rate

Maturity Date

Cost of Securities: \$ \_\_\_\_\_

Cash: \$ \_\_\_\_\_

EXHIBIT C-1 TO REFUNDING ESCROW AGREEMENT

The outstanding Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040 (the "Refunded Bonds") of the City of Knoxville, Tennessee shall be redeemed as provided in this Exhibit C. The Agent is hereby authorized and directed to give the paying agent for the Refunded Bonds notice on or before \_\_\_\_\_ to give notice of a \_\_\_\_\_ redemption to the holders of said Refunded Bonds in accordance with the resolution authorizing the issuance of said Refunded Bonds.

NOTICE OF REDEMPTION

THE CITY OF KNOXVILLE, TENNESSEE  
BY AND THROUGH THE  
KNOXVILLE UTILITIES BOARD

NOTICE IS HEREBY GIVEN that the City of Knoxville, Tennessee (the "City"), by and through the Knoxville Utilities Board, has elected to and does exercise its option to call and redeem on \_\_\_\_\_, all of the City's outstanding bonds as follows:

Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040

The owners of the above-described Bonds are hereby notified to present the same to the principal office of Regions Bank, Nashville, Tennessee, where redemption shall be made at the price of par plus interest accrued to the redemption date. The redemption price will become due and payable on \_\_\_\_\_ upon each such Bond herein called for redemption and such Bonds shall not bear interest beyond \_\_\_\_\_.

Important Notice: Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Economic Growth and Tax Relief Reconciliation Act of 2003 (the "Act"), unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed W-9 or exemption certificate or equivalent when presenting your securities.

REGIONS BANK  
as Registration and Paying Agent

EXHIBIT C-2 TO REFUNDING ESCROW AGREEMENT

The outstanding Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 (the "Refunded Bonds") of the City of Knoxville, Tennessee shall be redeemed as provided in this Exhibit C. The Agent is hereby authorized and directed to give the paying agent for the Refunded Bonds notice on or before \_\_\_\_\_ to give notice of a \_\_\_\_\_ redemption to the holders of said Refunded Bonds in accordance with the resolution authorizing the issuance of said Refunded Bonds.

NOTICE OF REDEMPTION

THE CITY OF KNOXVILLE, TENNESSEE  
BY AND THROUGH THE  
KNOXVILLE UTILITIES BOARD

NOTICE IS HEREBY GIVEN that the City of Knoxville, Tennessee (the "City"), by and through the Knoxville Utilities Board, has elected to and does exercise its option to call and redeem on \_\_\_\_\_, all of the City's outstanding bonds as follows:

Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007,  
maturing April 1, 2018 through April 1, 2042

The owners of the above-described Bonds are hereby notified to present the same to the principal office of Regions Bank, Nashville, Tennessee, where redemption shall be made at the price of par plus interest accrued to the redemption date. The redemption price will become due and payable on \_\_\_\_\_ upon each such Bond herein called for redemption and such Bonds shall not bear interest beyond \_\_\_\_\_.

Important Notice: Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Economic Growth and Tax Relief Reconciliation Act of 2003 (the "Act"), unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed W-9 or exemption certificate or equivalent when presenting your securities.

REGIONS BANK  
as Registration and Paying Agent

EXHIBIT C-3 TO REFUNDING ESCROW AGREEMENT

The outstanding Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 (the "Refunded Bonds") of the City of Knoxville, Tennessee shall be redeemed as provided in this Exhibit C. The Agent is hereby authorized and directed to give the paying agent for the Refunded Bonds notice on or before \_\_\_\_\_ to give notice of a \_\_\_\_\_ redemption to the holders of said Refunded Bonds in accordance with the resolution authorizing the issuance of said Refunded Bonds.

NOTICE OF REDEMPTION

THE CITY OF KNOXVILLE, TENNESSEE  
BY AND THROUGH THE  
KNOXVILLE UTILITIES BOARD

NOTICE IS HEREBY GIVEN that the City of Knoxville, Tennessee (the "City"), by and through the Knoxville Utilities Board, has elected to and does exercise its option to call and redeem on \_\_\_\_\_, all of the City's outstanding bonds as follows:

Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008,  
maturing April 1, 2019 through April 1, 2025

The owners of the above-described Bonds are hereby notified to present the same to the principal office of Regions Bank, Nashville, Tennessee, where redemption shall be made at the price of par plus interest accrued to the redemption date. The redemption price will become due and payable on \_\_\_\_\_ upon each such Bond herein called for redemption and such Bonds shall not bear interest beyond \_\_\_\_\_.

Important Notice: Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Economic Growth and Tax Relief Reconciliation Act of 2003 (the "Act"), unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed W-9 or exemption certificate or equivalent when presenting your securities.

REGIONS BANK  
as Registration and Paying Agent

A RESOLUTION SUPPLEMENTING RESOLUTION NO. 2075 ADOPTED BY THE CITY COUNCIL OF THE CITY OF KNOXVILLE, TENNESSEE ON APRIL 20, 1954 ENTITLED "A RESOLUTION PROVIDING FOR THE ISSUANCE OF WATER REVENUE BONDS" SO AS TO PROVIDE FOR THE ISSUANCE OF NOT TO EXCEED TWENTY-FOUR MILLION FIVE HUNDRED THOUSAND AND NO/100 DOLLARS (\$24,500,000) OF WATER SYSTEM REVENUE REFUNDING BONDS, SERIES BB-2015.

RESOLUTION NO: \_\_\_\_\_

REQUESTED BY: \_\_\_\_\_

PREPARED BY: \_\_\_\_\_

APPROVED AS TO FORM

CORRECTNESS: \_\_\_\_\_

Law Director

FINANCIAL IMPACT STATEMENT:

\_\_\_\_\_

\_\_\_\_\_

Director of Finance

APPROVED: \_\_\_\_\_

APPROVED AS AN

EMERGENCY MEASURE: \_\_\_\_\_

MINUTE BOOK \_\_\_\_\_ PAGE \_\_\_\_\_

WHEREAS, the City of Knoxville (hereinafter sometimes referred to as the "City"), pursuant to a resolution entitled "A Resolution Providing for the Issuance of Water Revenue Bonds," being Resolution No. 2075 of the City Council adopted April 20, 1954 (which resolution as heretofore amended is hereinafter sometimes referred to as "Resolution No. 2075"), authorized an issue of Water Revenue Bonds; and

WHEREAS, pursuant to Resolution No. 2075, and for the purpose of financing the cost of the improvement, betterment and extension of the City's water distribution system (hereinafter sometimes referred to as the "System") and the refinancing of indebtedness issued for that purpose, the City issued Water Revenue Bonds, the series of which, the amount issued, and the amount outstanding as of February 1, 2015 are as follows:

<u>Series</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
R-2005	\$10,000,000	\$ 255,000
S-2005	\$ 8,865,000	\$ 7,160,000
T-2007	\$25,000,000	\$24,350,000
U-2009	\$25,000,000	\$24,250,000
W-2011	\$25,000,000	\$23,900,000
X-2012	\$10,050,000	\$ 9,610,000
Y-2013	\$ 9,285,000	\$ 9,260,000
Z-2013	\$25,000,000	\$24,600,000
AA-2014	\$ 8,000,000	\$ 8,000,000

WHEREAS, it is desirable that an additional series of bonds be issued to refinance the outstanding principal amount of the City's outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 thereafter (the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the bonds, pursuant to the authority of Resolution No. 2075 and pursuant to the authority of this resolution; and

WHEREAS, the Board of Commissioners (the "Board") of the Knoxville Utilities Board ("KUB") has duly adopted a resolution requesting the City Council of the City to adopt this resolution authorizing the issuance of bonds for the purposes and in the manner hereinafter more fully stated; and

WHEREAS, the plan of refunding for the Refunded Bonds has been submitted to the State Director of State and Local Finance (the "State Director") as required by Section 9-21-903, Tennessee Code Annotated, as amended, and she has acknowledged receipt thereof to the City and KUB and submitted her report thereon to the City and KUB, and such report has been provided to members of the City Council of the City; and

WHEREAS, it is the intention of the City Council of the City to adopt this resolution for the purpose of authorizing not to exceed \$24,500,000 in aggregate principal amount of water revenue refunding bonds for the purposes described above, establishing the terms of such bonds, providing for the issuance, sale and payment of the bonds and disposition of proceeds therefrom, and collection of revenues from the System and the application thereof to the payment of principal of, premium, if any, and interest on said bonds.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Knoxville, Tennessee, as follows:

Section 1. Authority. The bonds authorized by this resolution are issued pursuant to Sections 7-34-101 et seq. and 9-21-101 et seq., Tennessee Code Annotated, and other applicable provisions of law.

Section 2. Definitions. Capitalized terms used herein and not defined in this Section 2 shall have the meanings ascribed to them in the 1954 Resolution (as hereinbelow defined). The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise.

- (a) "Board" shall mean the Board of Commissioners of the Knoxville Utilities Board;
- (b) "Bond Purchase Agreement" means a Bond Purchase Agreement, dated as of the sale of the Series BB-2015 Bonds, entered into by and between KUB and the Underwriter, in substantially the form of the document attached hereto as Exhibit A, subject to such changes as permitted by Section 10 hereof, as approved by the President and Chief Executive Officer of KUB, consistent with the terms of this resolution;
- (c) "Book-Entry Form" or "Book-Entry System" means a form or system, as applicable, under which physical Bond certificates in fully registered form are issued to a Depository, or to its nominee as Registered Owner, with the certificated Bonds being held by and "immobilized" in the custody of such Depository, and under which records maintained by persons, other than the City, KUB or the Registration Agent, constitute the written record that identifies, and records the transfer of, the beneficial "book-entry" interests in those Bonds;
- (d) "City" shall mean the City of Knoxville, Tennessee;
- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated or proposed thereunder;
- (f) "Depository" means any securities depository that is a clearing agency under federal laws operating and maintaining, with its participants or otherwise, a Book-Entry System, including, but not limited to, DTC;
- (g) "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;
- (h) "DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system;
- (i) "Governing Body" shall mean the City Council of the City;
- (j) "KUB" shall mean the Knoxville Utilities Board;
- (k) "1954 Resolution" shall mean Resolution No. 2075 of the Governing Body, adopted April 20, 1954, as amended and supplemented by Resolution No. 3633 of the Governing Body adopted March 19, 1968; Resolution No. R-26-88, adopted February 9, 1988; Resolution No. R-318-90, adopted October 30, 1990; Resolution No. R-470-92, adopted October 13, 1992; Resolution No. R-474-93, adopted October 26, 1993; Resolution No. R-8-98, adopted January 27, 1998; Resolution No. R-65-01 adopted February 20, 2001; Resolution No. R-151-01, adopted March 20, 2001; Resolution No. R-482-01, adopted October 30, 2001; Resolution No. R-57-04, adopted March 2, 2004, Resolution No. R-263-05, adopted July 5, 2005, Resolution No. R-346-07, adopted August 28, 2007, Resolution No. R-211-09, adopted June 30, 2009, Resolution No. R-133-10 adopted May 4, 2010, Resolution No. R-285-2011 adopted October 4, 2011, Resolution No. R-337-2011 adopted December 13, 2011, Resolution No. R-

323-2012 adopted November 13, 2012, Resolution No. R-243-2013 adopted July 23, 2013 and Resolution No. R-214-2014 adopted June 24, 2014 authorizing the issuance from time-to-time of series of revenue bonds of the City payable from revenues of the System on a parity with any bonds issued pursuant to its provisions;

(l) "Outstanding Bonds" shall mean the City's outstanding Water System Revenue Improvement Bonds, Series R-2005, dated August 10, 2005, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series S-2005, dated August 10, 2005, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2015 and thereafter, to the extent, if any, not refunded with the proceeds of the Series BB-2015 Bonds, the City's outstanding Water System Revenue Bonds, Series U-2009, dated November 12, 2009, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Bonds, Series W-2011, dated December 1, 2011, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series X-2012, dated April 20, 2012, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series Y-2013, dated March 15, 2013, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Bonds, Series Z-2013, dated October 1, 2013, maturing March 1, 2015 and thereafter and the City's outstanding Water System Revenue Bonds, Series AA-2014, dated September 18, 2014, maturing March 1, 2015 and thereafter;

(m) "Parity Bonds" shall mean any bonds issued on a parity with the Series BB-2015 Bonds and the Outstanding Bonds pursuant to the 1954 Resolution;

(n) "Refunded Bonds" shall mean those portions of the City's outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 that are selected for refunding pursuant to Section 10 hereof;

(o) "Refunding Escrow Agent" shall mean the refunding escrow agent under the Refunding Escrow Agreement as shall be designated by the President and Chief Executive Officer of KUB, or any successor thereunder pursuant to the terms thereof;

(p) "Refunding Escrow Agreement" shall mean the Refunding Escrow Agreement, dated as of the date of the Series BB-2015 Bonds to be entered into by and between KUB and the Refunding Escrow Agent in substantially the form attached hereto as Exhibit B, subject to such changes therein as shall be permitted by Section 13 hereof;

(q) "Registration Agent" shall mean the registration and paying agent for the Series BB-2015 Bonds designated by the President and Chief Executive Officer of KUB, or any successor as designated by the Board;

(r) "Series BB-2015 Bonds" shall mean the City's Water System Revenue Refunding Bonds, Series BB-2015, dated the date of their issuance, or such other date as shall be determined by the Board pursuant to Section 10 hereof, authorized to be issued by the 1954 Resolution and this resolution in an aggregate principal amount not to exceed \$24,500,000;

(s) "State" shall mean the State of Tennessee; and

(t) "Underwriter" shall mean an investment banking firm qualified to underwrite bonds such as the Series BB-2015 Bonds in the State of Tennessee selected by the President and Chief Executive Officer of KUB.

Section 3. Declarations. It is hereby determined that all requirements of the 1954 Resolution have been or will have been met upon the issuance of the Series BB-2015 Bonds so that the Series BB-2015 Bonds will be issued as Parity Bonds.

Section 4. Findings of the Governing Body. It is hereby found and determined by the Governing Body as follows:

(a) The refunding of the Refunded Bonds as set forth herein through the issuance of the Series BB-2015 Bonds will result in a reduction in debt service payable by the City and KUB over the term of the Refunded Bonds, thereby effecting a cost savings to the System; and

(b) It is advantageous to the City and KUB to deposit a portion of the proceeds from the sale of the Series BB-2015 Bonds and other funds of KUB, if any, with the Refunding Escrow Agent pursuant to the Refunding Escrow Agreement which, together with investment income thereon, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Bonds, provided, that KUB may dispense with the use of a Refunding Escrow Agreement to the extent permitted by Section 13 hereof.

Section 5. Authorization and Terms of the Series BB-2015 Bonds. (a) For the purpose of providing funds for the payment of principal of and premium and interest on the Refunded Bonds to the earliest practicable optional redemption date thereof, including the payment of legal, fiscal and administrative costs incident thereto and incident to the issuance and sale of the Series BB-2015 Bonds as more fully set out in Section 10 hereof, there are hereby authorized to be issued revenue bonds of the City in the aggregate principal amount of not to exceed \$24,500,000. The Series BB-2015 Bonds shall be issued in fully registered form, without coupons, shall be known as "Water System Revenue Refunding Bonds, Series BB-2015" and shall be dated the date of their issuance or such other date as shall be determined by the Board or the President and Chief Executive Officer of KUB as its designee pursuant to Section 10 hereof. The Series BB-2015 Bonds shall bear interest at a rate or rates not to exceed five percent (5.00%) per annum, payable semi-annually on March 1 and September 1 in each year, commencing September 1, 2015 or such later date as is permitted pursuant to Section 10 hereof. The Series BB-2015 Bonds shall be initially issued in \$5,000 denominations or integral multiples thereof as shall be requested by the purchaser thereof. The Series BB-2015 Bonds shall mature and be payable either serially or through mandatory redemption on each March 1 in such years as is established by the Board or the President and Chief Executive Officer of KUB as its designee pursuant to Section 10, provided that the final maturity date shall not be later than March 1, 2033, and the Series BB-2015 Bonds shall not have an average weighted maturity in excess of the average weighted maturity of the Refunded Bonds. The final maturity schedule shall be established by the award resolution or certificate awarding the Series BB-2015 Bonds to the successful purchaser thereof or in the Bond Purchase Agreement provided for in Section 10 if the Series BB-2015 Bonds are sold by negotiated sale.

(b) Subject to adjustment pursuant to Section 10 hereof, the Series BB-2015 Bonds maturing on or before March 1, 2025 shall mature without option of prior redemption. Series BB-2015 Bonds maturing on March 1, 2026 and thereafter shall be subject to redemption prior to maturity at the option of the City, acting through the Board, on or after March 1, 2025, as a whole or in part at any time at a redemption price equal to the principal amount plus interest accrued to the redemption date.

If less than all the Series BB-2015 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its discretion. If less than all the Series BB-2015 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 BB-2015 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Series BB-

2015 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 BB-2015 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series BB-2015 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.

(c) Pursuant to Section 10 hereof, KUB is authorized to sell the Series BB-2015 Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as determined by KUB. In the event any or all the Series BB-2015 Bonds are sold as term bonds, the Board shall redeem term bonds on redemption dates corresponding to the maturity dates set forth in the award resolution or certificate awarding the Series BB-2015 Bonds, in amounts so as to achieve an amortization of the indebtedness approved by the Board or the President and Chief Executive Officer of KUB as its designee. DTC, as Depository for the Series BB-2015 Bonds, or any successor Depository for the Series BB-2015 Bonds, shall determine the interest of each Participant in the Series BB-2015 Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as Depository for the Series BB-2015 Bonds, the Series BB-2015 Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, KUB may (i) deliver to the Registration Agent for cancellation Series BB-2015 Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation under this mandatory redemption provision for any Series BB-2015 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 Registration Agent and not theretofore applied as a credit against any redemption obligation under this mandatory sinking fund provision. Each Series BB-2015 Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of KUB on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Series BB-2015 Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. KUB shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration 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.

(d) Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent 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 BB-2015 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the 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 BB-2015 Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Series BB-2015 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series BB-2015 Bonds, as and when above provided, and neither KUB, the City, nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial

Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices, in the case of term bonds with mandatory redemption requirements as and when provided herein and in the Series BB-2015 Bonds and, in the case of optional redemption, as and when directed by the Board pursuant to written instructions from an authorized representative of the Board given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Series BB-2015 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City or KUB to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

(e) The Series BB-2015 Bonds shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf, of the City with the manual or facsimile signature of the Chair of the Board and attested by the manual or facsimile signature of the Secretary of the Board.

(f) The City hereby authorizes and directs the Board to appoint a Registration Agent and paying agent for the Series BB-2015 Bonds, and the Registration Agent so appointed is authorized and directed to maintain Bond registration records with respect to the Series BB-2015 Bonds, to authenticate and deliver the Series BB-2015 Bonds as provided herein, either at original issuance, upon transfer, or as otherwise directed by the Board, to effect transfers of the Series BB-2015 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series BB-2015 Bonds as provided herein, to cancel and destroy Series BB-2015 Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish KUB at least annually a certificate of destruction with respect to Series BB-2015 Bonds canceled and destroyed, and to furnish KUB at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Series BB-2015 Bonds. The payment of all reasonable fees and expenses of the Registration Agent for the discharge of its duties and obligations hereunder or under any such agreement is hereby authorized and directed. The Board hereby delegates to the President and Chief Executive Officer of KUB the authority to select and appoint the Registration Agent and any paying agents for the Series BB-2015 Bonds and to select and appoint the Refunding Escrow Agent (as well as any successors to any of the foregoing). The Chair of the Board is hereby authorized to execute and the Secretary of the Board is hereby authorized to attest such written agreement between KUB and the Registration Agent as they shall deem necessary or proper with respect to the obligations, duties and rights of the Registration Agent.

(g) The Series BB-2015 Bonds shall be payable, principal and interest, in lawful money of the United States of America at the principal corporate trust office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Bonds on each interest payment date directly to the registered owners as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owners at their addresses shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Series BB-2015 Bonds, and all such payments shall discharge the obligations of KUB in respect of such Series BB-2015 Bonds to the extent of the payments so made. Payment of principal of the Series BB-2015 Bonds shall be made upon presentation and surrender of such Series BB-2015 Bonds to the Registration Agent as the same shall become due and payable. All rates of interest specified herein shall be computed on the basis of a three hundred sixty (360) day year composed of twelve (12) months of thirty (30) days each. In the event the Series BB-2015 Bonds are no longer registered in the name of DTC, or a successor Depository, if requested by the Owner of at least \$1,000,000 in aggregate principal

amount of the Series BB-2015 Bonds, payment of interest on such Series BB-2015 Bonds shall be paid by wire transfer to a bank within the continental United States or deposited to a designated account if such account is maintained with the Registration Agent and written notice of any such election and designated account is given to the Registration Agent prior to the record date.

(h) Any interest on any Series BB-2015 Bond which is payable but is not punctually paid or duly provided for on any interest payment date (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest shall be paid to the persons in whose names the Series BB-2015 Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: KUB shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series BB-2015 Bond and the date of the proposed payment, and at the same time KUB shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which Date shall be not more than fifteen (15) nor less than ten (10) days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify KUB of such Special Record Date and, in the name and at the expense of KUB, not less than ten (10) days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in the Series BB-2015 Bonds shall impair any statutory or other rights in law or in equity of any registered owner arising as a result of the failure of KUB to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Series BB-2015 Bonds when due.

(i) The Series BB-2015 Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his legal representative duly authorized in writing, of the registered Series BB-2015 Bond(s) to be transferred with the form of assignment on the reverse side thereof completed in full and signed with the name of the registered owner as it appears upon the face of the Series BB-2015 Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Series BB-2015 Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Series BB-2015 Bond or Series BB-2015 Bonds to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Series BB-2015 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series BB-2015 Bond, nor to transfer or exchange any Series BB-2015 Bond after notice calling such Series BB-2015 Bond for redemption has been made, nor to transfer or exchange any Series BB-2015 Bond during the period following the receipt of instructions from KUB to call such Series BB-2015 Bond for redemption; provided, the Registration Agent, at its option, may make transfers after any of said dates. No charge shall be made to any registered owner for the privilege of transferring any Series BB-2015 Bond, provided that any transfer tax relating to such transaction shall be paid by the registered owner requesting transfer. The person in whose name any Series BB-2015 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither KUB nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Series BB-2015 Bonds shall be overdue. Series BB-2015 Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Series BB-2015 Bonds of the same maturity in any authorized denomination or denominations. This subsection shall be applicable

only if the Series BB-2015 Bonds are no longer held by a Depository, and as long as the Series BB-2015 Bonds are held by a Depository, transfers of ownership interests in the Series BB-2015 Bonds shall be governed by the rules of the Depository.

(j) Except as otherwise authorized herein, the Series BB-2015 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as the Depository for the Series BB-2015 Bonds except as otherwise provided herein. References in this Section to a Series BB-2015 Bond or the Series BB-2015 Bonds shall be construed to mean the Series BB-2015 Bond or the Series BB-2015 Bonds that are held under the Book-Entry System. One Bond for each maturity of the Series BB-2015 Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. The Bond Registrar is a custodian and agent for DTC, and the Bond will be immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series BB-2015 Bonds in authorized denominations, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants pursuant to rules and procedures established by DTC.

Each DTC Participant shall be credited in the records of DTC with the amount of such DTC Participant's interest in the Series BB-2015 Bonds. Beneficial ownership interests in the Series BB-2015 Bonds may be purchased by or through DTC Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive the Series BB-2015 Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the DTC Participant from which such Beneficial Owner purchased its Series BB-2015 Bonds. Transfers of ownership interests in the Series BB-2015 Bonds shall be accomplished by book entries made by DTC and, in turn, by DTC Participants acting on behalf of Beneficial Owners. SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES BB-2015 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE SERIES BB-2015 BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES BB-2015 BONDS, RECEIPT OF NOTICES, VOTING AND TAKING OR NOT TAKING, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Series BB-2015 Bonds, so long as DTC is the only owner of the Series BB-2015 Bonds, shall be paid by the Registration Agent directly to DTC or its nominee, Cede & Co. as provided in the Letter of Representation relating to the Series BB-2015 Bonds from the City, acting by and through KUB, and the Registration Agent to DTC (the "Letter of Representation"). DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners. Neither the City, KUB nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants.

In the event that (1) DTC determines not to continue to act as Depository for the Series BB-2015 Bonds or (2) to the extent permitted by the rules of DTC, the Board determines to discontinue the Book-Entry System, the Book-Entry System with DTC shall be discontinued. If the Board fails to identify another qualified securities depository to replace DTC, the Board shall cause the Registration Agent to authenticate and deliver replacement Series BB-2015 Bonds in the form of fully registered Series BB-2015 Bonds to each Beneficial Owner.

NEITHER THE CITY, KUB NOR THE REGISTRATION AGENT SHALL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DTC PARTICIPANT OR ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE SERIES BB-2015 BONDS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (iii) THE PAYMENT BY DTC

OR ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES BB-2015 BONDS; (iv) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DTC PARTICIPANT OF ANY NOTICE DUE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THIS RESOLUTION TO BE GIVEN TO BENEFICIAL OWNERS, (v) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES BB-2015 BONDS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS OWNER.

If the purchaser or Underwriter certifies that it intends to hold the Series BB-2015 Bonds for its own account, then the City may issue certified Bonds without the utilization of DTC and the Book-Entry System.

(k) In case any Series BB-2015 Bond shall become mutilated, or be lost, stolen, or destroyed, the City, acting by and through KUB, in its discretion, shall issue, and the Registration Agent, upon written direction from KUB, shall authenticate and deliver, a new Series BB-2015 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series BB-2015 Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series BB-2015 Bond, or if any such Series BB-2015 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series BB-2015 Bond KUB may pay or authorize payment of such Series BB-2015 Bond without surrender thereof. In every case the applicant shall furnish evidence satisfactory to KUB and the Registration Agent of the destruction, theft or loss of such Series BB-2015 Bond, and indemnity satisfactory to KUB and the Registration Agent; and KUB may charge the applicant for the issue of such new Series BB-2015 Bond an amount sufficient to reimburse KUB for the expense incurred by it in the issue thereof.

(l) The Registration Agent is hereby authorized to authenticate and deliver the Series BB-2015 Bonds to DTC, on behalf of the initial purchaser thereof, or an agent of DTC, upon receipt by KUB of the proceeds of the sale thereof and, subject to the rules of the Depository, and to authenticate and deliver Series BB-2015 Bonds in exchange for Series BB-2015 Bonds of the same principal amount delivered for transfer upon receipt of the Series BB-2015 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series BB-2015 Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an authorized representative thereof on the certificate set forth herein on the Series BB-2015 Bond form.

(m) The Registration Agent is hereby authorized to take such action as may be necessary from time to time to qualify and maintain the Series BB-2015 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series BB-2015 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series BB-2015 Bonds and provision of notices with respect to Series BB-2015 Bonds registered by 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 Beneficial Owners of the Series BB-2015 Bonds, provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this section.

Section 6. Source of Payment. The Series BB-2015 Bonds shall be payable solely from and be secured by a pledge of the Net Revenues of the System as hereinafter provided and as provided in the 1954 Resolution on a parity and equality of lien with the Outstanding Bonds. The punctual payment of principal of and interest on the Series BB-2015 Bonds, the Outstanding Bonds and any Parity Bonds shall be secured equally and ratably by the Net Revenues of the System without priority by reason of series,



Except as otherwise provided herein or in the Resolution, as hereinafter defined, this Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds of the series of which this Bond is one. One Bond for each maturity of the Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. The Bond Registrar is a custodian and agent for DTC, and the Bond will be immobilized in its custody. A book-entry system (the "Book-Entry System") shall be employed, evidencing ownership of the Bonds in \$5,000 denominations, or multiples thereof, with transfers of beneficial ownership effected on the records of DTC and the DTC Participants, as defined in the Resolution, pursuant to rules and procedures established by DTC. So long as Cede & Co., as nominee for DTC, is the registered owner of the Bonds, the City, KUB and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Resolution, including receipt of all principal of, premium, if any, and interest on the Bonds, receipt of notices, voting and requesting or taking or not taking, or consenting to, certain actions hereunder. Payments of principal, maturity amounts, interest, and redemption premium, if any, with respect to the Bonds, so long as DTC is the only owner of the Bonds, shall be paid directly to DTC or its nominee, Cede & Co. DTC shall remit such payments to DTC Participants, and such payments thereafter shall be paid by DTC Participants to the Beneficial Owners, as defined in the Resolution. Neither the City, KUB, nor the Registration Agent shall be responsible or liable for payment by DTC or DTC Participants, for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or DTC Participants. In the event that (1) DTC determines not to continue to act as securities depository for the Bonds or (2) to the extent permitted by the rules of DTC, the Board determines to discontinue the Book-Entry System, the Book-Entry System with DTC shall be discontinued. If the Board fails to identify another qualified securities depository to replace DTC, the Board shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the City, KUB nor the Registration Agent shall have any responsibility or obligations to any DTC Participant or any Beneficial Owner with respect to (i) the Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal or maturity amounts of and interest on the Bonds; (iv) the delivery or timeliness of delivery by DTC or any DTC Participant of any notice due to any Beneficial Owner that is required or permitted under the terms of the Resolution to be given to Beneficial Owners, (v) the selection of Beneficial Owners to receive payments in the event of any partial redemption of the Bonds; or (vi) any consent given or other action taken by DTC, or its nominee, Cede & Co., as owner.

The Bonds of the issue of which this Bond is one maturing on or before March 1, 2025 shall mature without option of prior redemption. The Bonds maturing on March 1, 2026 and thereafter shall be subject to redemption prior to maturity at the option of the City, acting through the Board, on or after March 1, 2025, as a whole or in part at any time at a redemption price equal to the principal amount plus interest accrued to the redemption date.

[If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board in its discretion. If less than all of the 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 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the 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 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the 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.]

[Subject to the credit hereinafter provided, the City acting by and through KUB, shall redeem Bonds maturing on the redemption dates set forth below opposite such maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for the series of Bonds of which this Bond is one, or any successor Depository for the Bonds, shall determine the interest of each Participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds, the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds to be Redeemed</u>
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\*final maturity

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the City, acting through KUB, may (i) deliver to the Registration Agent for cancellation Bonds to be redeemed, in any aggregate principal amount desired, and/or (ii) receive credit in respect of its redemption obligation under the mandatory redemption provision for any Bonds to be redeemed which prior to said date have been purchased or redeemed (otherwise than by mandatory redemption) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation under the mandatory redemption provision. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of KUB on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of the Bonds to be redeemed by operation of the mandatory redemption provision shall be accordingly reduced. KUB shall on or before the forty-fifth (45th) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this paragraph 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.

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City, but only upon direction of the Board, not fewer 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 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the 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 the redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). From and after any redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly given as set forth in the Resolution, as hereafter defined. In the case of a Conditional Redemption, the failure of the City or KUB to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.]

The Bonds of the issue of which this Bond is one are issuable only as fully registered Bonds, without coupons, in the denomination of Five Thousand Dollars (\$5,000) or any authorized integral multiple thereof. At the designated corporate trust office of the Registration Agent, in the manner and subject to the limitations, conditions and charges provided in the Resolution, fully registered Bonds may be exchanged for an equal aggregate principal amount of fully registered Bonds of the same maturity, of authorized denominations, and bearing interest at the same rate. The Bonds shall be numbered consecutively from one upwards and will be made eligible for the Book-Entry System of DTC. Except as otherwise provided in this paragraph and the Resolution, as hereinafter defined, the Bonds shall be registered in the name of Cede & Co. as nominee of DTC. The Board may discontinue use of DTC for Bonds at any time upon determination by the Board that the use of DTC is no longer in the best interest of the beneficial owners of the Bonds. Upon such determination, registered ownership of the Bonds may be transferred on the registration books maintained by the Registration Agent, and the Bonds may be delivered in physical form to the following:

- i. any successor of DTC or its nominee;
- ii. any substitute depository to which the Registration Agent does not unreasonably object, upon (a) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (b) a determination by the Board that DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; or
- iii. any person, upon (a) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, or (b) termination by the Board of the use of DTC (or substitute depository or its successor).

In the event that this Bond is no longer held in a Book-Entry System by DTC, this Bond shall be transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth on the front side hereof, but only in the manner, subject to limitations and upon payment of the charges provided in the Resolution and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized denomination or denominations of the same maturity and interest rate for the same aggregate principal amount will be issued to the transferee in exchange therefor. The person in whose name this Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the City, KUB nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bond shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in authorized denomination or denominations, upon the terms set forth in the Resolution. The Registration Agent shall not be required to transfer or exchange any Bond during the period commencing on a Regular Record Date or Special Record Date and ending on the corresponding interest payment date of such Bond, nor to transfer or exchange any Bond after the notice calling such Bond for redemption has been made, nor during a period following the receipt of instructions from the Board to call such Bond for redemption.

This Bond is one of a total authorized issue aggregating \$24,500,000 and issued by the City for the purpose of providing funds to refinance the outstanding principal amount of the City's outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 (the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and costs incident to the issuance of the Bonds, under and in full compliance with the Constitution and statutes of the State of Tennessee, including Sections 7-34-101 et seq. and Sections 9-21-101 et seq., Tennessee Code Annotated, and pursuant to Resolution No. 2075 duly

adopted by the City Council of the City on April 20, 1954, as amended and supplemented by Resolution No. 3633 duly adopted by the City on March 19, 1968, Resolution No. R-26-88 duly adopted by the City on February 9, 1988, Resolution No. R-318-90 duly adopted by the City on October 30, 1990, Resolution No. R-470-92 duly adopted by the City on October 13, 1992, Resolution No. R-474-93 duly adopted by the City on October 26, 1993, Resolution No. R-8-98 duly adopted by the City on January 27, 1998, Resolution No. R-65-01 duly adopted by the City on February 20, 2001, Resolution No. R-151-01 duly adopted by the City on March 20, 2001, Resolution No. R-482-01 duly adopted by the City on October 30, 2001, Resolution No. R-57-04 duly adopted by the City on March 2, 2004, Resolution No. R-263-05 duly adopted by the City on July 5, 2005, Resolution No. R-346-07 duly adopted by the City on August 28, 2007, Resolution No. R-211-09 duly adopted by the City on June 30, 2009, Resolution No. R-133-210, duly adopted by the City Council of the City on May 4, 2010, Resolution No. R-285-2011, duly adopted by the City Council of the City on October 4, 2011, Resolution No. R-337-2011, duly adopted by the City Council of the City on December 13, 2011, Resolution No. R-323-2012 duly adopted by the City on November 13, 2012, Resolution No. R-243-2013 duly adopted by the City on July 23, 2013, Resolution No. R-214-2014 duly adopted by the City on June 24, 2014 and Resolution No. R-\_\_\_\_-2015 duly adopted by the City on \_\_\_\_\_, 2015 (as supplemented and amended, the "Resolution").

This Bond, and interest hereon, are payable solely from and secured by a pledge of the income and revenues to be derived from the operation of the water distribution system of the City (the "System"), subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring the System. The Bonds of the series of which this Bond is one shall enjoy complete parity and equality of lien with the City's outstanding Water System Revenue Improvement Bonds, Series R-2005, dated August 10, 2005, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series S-2005, dated August 10, 2005, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2015 and thereafter, to the extent, if any, not refunded with the proceeds of the Bonds, the City's outstanding Water System Revenue Bonds, Series U-2009, dated November 12, 2009, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Bonds, Series W-2011, dated December 1, 2011, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series X-2012, dated April 20, 2012, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series Y-2013, dated March 15, 2013, maturing March 1, 2015 and thereafter, the City's outstanding Water System Revenue Bonds, Series Z-2013, dated October 1, 2013, maturing March 1, 2015 and thereafter and the City's outstanding Water System Revenue Bonds, Series AA-2014, dated September 18, 2014, maturing March 1, 2015 and thereafter (collectively the "Outstanding Bonds"). As provided in the Resolution, the punctual payment of principal of, premium, if any, and interest on the series of Bonds of which this Bond is one, the Outstanding Bonds and any other bonds issued on a parity therewith pursuant to the terms of the Resolution shall be secured equally and ratably by said revenues without priority by reason of series, number or time of sale or delivery. The owner of this Bond shall have no recourse to the power of taxation of the City. The Board has covenanted that it will fix and impose such rates and charges for the services rendered by the System and will collect and account for sufficient revenues to pay promptly the principal of and interest on this Bond and the issue of which it is a part, as each payment becomes due. For a more complete statement of the revenues from which and conditions under which this Bond is payable, a statement of the conditions on which obligations may hereafter be issued on a parity with this Bond, the general covenants and provisions pursuant to which this Bond is issued and the terms upon which the Resolution may be modified, reference is hereby made to the Resolution.

Under existing law, this Bond and the income therefrom are exempt from all present state, county and municipal taxation in Tennessee except (a) inheritance, transfer and estate taxes, (b) Tennessee excise taxes on all or a portion of the interest on this Bond during the period such Bond is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the

book value of this Bond in the Tennessee franchise tax base or any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

It is hereby certified, recited, and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other indebtedness of either the City or KUB, does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

IN WITNESS WHEREOF, the City acting by and through the Board has caused this Bond to be signed by the Chair of the Board by her manual or facsimile signature and attested by the Secretary of the Board by his manual or facsimile signature, all as of the date hereinabove set forth.

CITY OF KNOXVILLE  
by and through the  
KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
Chair

ATTESTED:

\_\_\_\_\_  
Secretary

Transferable and payable at the  
designated corporate trust office of: \_\_\_\_\_  
\_\_\_\_\_, Tennessee

Date of Registration: \_\_\_\_\_

This Bond is one of the issue of Bonds issued pursuant to the Resolution hereinabove described.

\_\_\_\_\_  
Registration Agent

By: \_\_\_\_\_  
Authorized Representative

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto  
\_\_\_\_\_, [Please insert Federal Tax Identification Number or Social Security  
Number of Assignee \_\_\_\_\_] whose address is

\_\_\_\_\_, the within bond of the City of Knoxville, Tennessee,  
and does hereby irrevocably constitute and appoint \_\_\_\_\_,  
Tennessee, attorney, to transfer the said bond on the records kept for registration thereof with full power  
of substitution in the premises.

Dated: \_\_\_\_\_

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

Signature guaranteed:

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

Section 8. Equality of Lien; Pledge of Net Revenues. The punctual payment of principal of, premium, if any, and interest on the Series BB-2015 Bonds, the Outstanding Bonds and any Parity Bonds shall be secured equally and ratably by the Net Revenues of the System without priority by reason of series, number or time of sale or execution or delivery, and the Net Revenues of the System are hereby irrevocably pledged to the punctual payment of such principal, premium and interest as the same become due.

Section 9. Applicability of the 1954 Resolution. The Series BB-2015 Bonds are issued in compliance with the 1954 Resolution so as to be on a parity with the Outstanding Bonds, and, when duly delivered, the Series BB-2015 Bonds shall constitute a series of bonds issued under the authority of the 1954 Resolution. All recitals, provisions, covenants and agreements contained in the 1954 Resolution, as supplemented and amended herein (except insofar as any of said recitals, provisions, covenants and agreements necessarily relate exclusively to any series of the Outstanding Bonds) are hereby ratified and confirmed and incorporated herein by reference and, for so long as any of the Series BB-2015 Bonds shall be outstanding and unpaid either as to principal or interest, or until discharge and satisfaction of the Series BB-2015 Bonds as provided in Section 12 hereof, shall be applicable to the Series BB-2015 Bonds, shall inure to the benefit of owners of the Series BB-2015 Bonds as if set out in full herein, and shall be fully enforceable by the owner of any Series BB-2015 Bond.

All references to "holder" or "holders" in the 1954 Resolution shall be deemed to include owners of the Series BB-2015 Bonds, and all references to "Bonds" in the 1954 Resolution shall be deemed to include the Series BB-2015 Bonds.

Section 10. Sale of Series BB-2015 Bonds.

(a) The Series BB-2015 Bonds or any emission thereof may be sold at negotiated sale to the Underwriter or at public sale as determined by the President and Chief Executive Officer of KUB at a price of not less than 98.00% of par, exclusive of original issue discount, plus accrued interest, if any, provided, however, that no emission of Series BB-2015 Bonds may be sold at negotiated sale unless the Audit and Finance Committee of the Board has previously approved the sale of such emission at negotiated sale. The sale of any emission of the Series BB-2015 Bonds to the Underwriter or by public sale shall be binding on the City and KUB, and no further action of the Board with respect thereto shall be required.

(b) The President and Chief Executive Officer of KUB, as the designee of the Board, is further authorized with respect to each emission of Series BB-2015 Bonds to:

- (1) change the dated date to a date other than the date of issuance;
- (2) specify the series designation or change the designation of the Series BB-2015 Bonds other than "Water System Revenue Refunding Bonds";
- (3) change the first interest payment date to a date other than September 1, 2015, provided that such date is not later than twelve months from the dated date of such emission of Series BB-2015 Bonds;
- (4) adjust the principal and interest payment dates and determine maturity or mandatory redemption amounts of the Series BB-2015 Bonds or any emission thereof, provided that (A) the total principal amount of all emissions of the Series BB-2015 Bonds does not exceed the total amount of Series BB-2015 Bonds authorized herein; (B) the final maturity date of each emission shall be not later than March 1, 2033; and (C) the debt service schedule is substantially the same as what was presented to the State Director in connection with requesting a report on the refunding;
- (5) modify or remove the optional redemption provisions contained herein, provided that the premium amount to be paid in connection with any redemption provision shall not exceed two percent (2%) of the principal amount thereof;
- (6) sell the Series BB-2015 Bonds, or any emission thereof, or any maturities thereof as term bonds with mandatory redemption requirements as determined by the Board, as it shall deem most advantageous to KUB; and
- (7) cause all or a portion of the Series BB-2015 Bonds to be insured by a bond insurance policy issued by a nationally recognized bond insurance company to achieve the purposes set forth herein and to serve the best interests of KUB and to enter into agreements with such insurance company to the extent not inconsistent with this Resolution.

(c) If any emission of Series BB-2015 Bonds is sold at negotiated sale, the President and Chief Executive Officer of KUB is authorized to execute a Bond Purchase Agreement with respect to such emission of Series BB-2015 Bonds, providing for the purchase and sale of the Series BB-2015 Bonds, or any emission thereof. Each Bond Purchase Agreement shall be in substantially the form attached hereto as Exhibit A, with such changes as the President and Chief Executive Officer deems necessary or advisable in connection with the sale of such Series BB-2015 Bonds, provided any such changes are not inconsistent with the terms of this Section. If the Underwriter does not intend to reoffer the Series BB-2015 Bonds to the public, then the Bond Purchase Agreement shall be conformed to reflect such intention. The form of the Series BB-2015 Bond set forth in Section 7 hereof shall be conformed to reflect any changes made pursuant to this Section 10.

(d) The President and Chief Executive Officer and the Chief Financial Officer of KUB, or either of them, are authorized to cause the Series BB-2015 Bonds, in book-entry form (except as otherwise authorized herein), to be authenticated and delivered by the Registration Agent to the purchaser(s), and to execute, publish, and deliver all certificates and documents, including an official statement, the Bond Purchase Agreement and closing certificates, as they shall deem necessary in connection with the sale and delivery of each emission of the Bonds.

(e) If the Series BB-2015 Bonds are sold at public sale, the Series BB-2015 Bonds shall be awarded by the President and Chief Executive Officer of KUB to the bidder that offers to purchase the Bonds for the lowest true interest cost to KUB.

Section 11. Disposition of Series BB-2015 Bond Proceeds. The proceeds of the sale of the Series BB-2015 Bonds shall be paid to KUB and used and applied by KUB as follows:

(a) All accrued interest, if any, shall be deposited to the Debt Service Fund created under the 1954 Resolution and used to pay interest on the Series BB-2015 Bonds on the first interest payment date following delivery of the Series BB-2015 Bonds;

(b) An amount, which together with investment earnings thereon and legally available funds of KUB, if any, will be sufficient to pay principal of, premium, if any, and interest on the Refunded Bonds (subject to adjustments permitted by Section 10 above), shall be transferred to the Refunding Escrow Agent under the Refunding Escrow Agreement to be deposited to the Escrow Fund established thereunder to be held and applied as provided therein; and

(c) The remainder shall be applied to the payment of costs of issuance relating to the Series BB-2015 Bonds. If there are any remaining proceeds of the Series BB-2015 Bonds after application as provided above, such remaining proceeds shall be used to pay principal and/or interest on the Series BB-2015 Bonds.

Section 12. Discharge and Satisfaction of Series BB-2015 Bonds. If KUB, on behalf of the City, shall pay and discharge the indebtedness evidenced by any of the Series BB-2015 Bonds or Parity Bonds (referred to hereinafter, collectively, in this Section as the "Bonds") in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any financial institution which has trust powers and which is regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency ("an Agent"; which Agent may be the Registration Agent), in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if KUB, on behalf of the City, shall also pay or cause to be paid all other sums payable hereunder by KUB or the City with respect to such Bonds or make adequate provision therefor, and by resolution of the Board instruct any such Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, liens, pledges, agreements and obligations entered into, created, or imposed hereunder, including the pledge of and lien on the Net Revenues of the System set forth herein, shall be fully discharged and satisfied with respect to such Bonds and the owners thereof and shall thereupon cease, terminate and become void.

If KUB, on behalf of the City, shall pay and discharge or cause to be paid and discharged the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b)

above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to KUB as received by the Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and premium, if any, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments, to the extent not needed for the payment of such principal, premium and interest, shall be paid over to KUB, as received by the Agent. For the purposes of this Section, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee Law for the purposes described in this Section, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

No redemption privilege shall be exercised with respect to the Series BB-2015 Bonds or any Parity Bonds except at the option and election of the Board. The right of redemption set forth herein shall not be exercised by any Registration Agent or Agent unless expressly so directed in writing by an authorized representative of the Board.

Section 13. Refunding Escrow Agreement. For the purpose of providing for the payment of the principal of, premium, if any, and interest on the Refunded Bonds, the President and Chief Executive Officer of KUB is hereby authorized and directed to execute and the Secretary of the Board to attest on behalf of KUB a Refunding Escrow Agreement with the Refunding Escrow Agent and to deposit with the Refunding Escrow Agent the amounts to be used by the Refunding Escrow Agent to purchase Defeasance Obligations as provided therein; provided, however, that the yield on such investments shall be determined in such manner that none of the Series BB-2015 Bonds will be an "arbitrage bond" within the meaning of Section 148 (a) of the Code. The President and Chief Executive Officer of KUB and the Secretary of the Board are hereby authorized and directed to execute and deliver the Refunding Escrow Agreement on behalf of KUB in such form as is approved by the President and Chief Executive Officer of KUB and the Secretary of the Board, their execution thereof to constitute conclusive evidence of their approval of such form of the Refunding Escrow Agreement. The Refunding 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 interest on the Refunded Bonds and to exercise such duties as set forth in the Refunding Escrow Agreement.

Section 14. Notice of Refunding. Prior to the issuance of the Series BB-2015 Bonds, notice of the City's intention to refund the Refunded Bonds, to the extent required by applicable law, shall be given by the registration agent for the Refunded Bonds to be mailed by first-class mail, postage prepaid, to the registered holders thereof, as of the date of the notice, as shown on the bond registration records maintained by such registration agent of said Refunded Bonds. The President and Chief Executive Officer of KUB and the Secretary of the Board, or either of them, is hereby authorized and directed to authorize the registration agent of said Refunded Bonds to give such notice on behalf of the City in accordance with this Section.

Section 15. Federal Tax Matters. The City and KUB recognize that the purchasers and owners of the Series BB-2015 Bonds will have accepted them on, and paid therefor a price that reflects the understanding that interest thereon will not be included in gross income for purposes of federal income taxation under laws in force on the date of delivery of the Series BB-2015 Bonds. In this connection, KUB, on behalf of the City, agrees that it shall take no action which may render the interest on any of the Series BB-2015 Bonds includable in gross income for purposes of federal income taxation. It is the reasonable expectation of the City and KUB that the proceeds of the Series BB-2015 Bonds will not be used in a manner which will cause the Series BB-2015 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Series BB-2015 Bonds and other related funds established for the purposes herein set out, shall be used and spent expeditiously for the purposes described herein. In the event Section 148(f) of the Code shall require the payment of any investment proceeds of the Series BB-2015 Bonds to the United States government, KUB 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 Series BB-2015 Bonds from becoming taxable. The Chair of the Board, the Secretary of the Board, the President and Chief Executive Officer of KUB and Chief Financial Officer of KUB, or any of them, are authorized and directed to make such certifications in this regard in connection with the sale of the Bonds as any or all shall deem appropriate, and such certifications shall constitute a representation and certification of the City and KUB.

Section 16. Official Statement. The President and Chief Executive Officer of KUB, or her designee, is hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement describing the Series BB-2015 Bonds. After the Series BB-2015 Bonds have been awarded, the President and Chief Executive Officer of KUB, or her designee, shall make such completions, omissions, insertions and changes in the Preliminary Official Statement not inconsistent with this resolution as are necessary or desirable to complete it as a final Official Statement for purposes of Rule 15c2-12(e)(3) of the Securities and Exchange Commission. The President and Chief Executive Officer of KUB, or her designee, shall arrange for the delivery to the purchaser of the Series BB-2015 Bonds of a reasonable number of copies of the Official Statement within seven business days after the Series BB-2015 Bonds have been awarded for delivery, by the purchaser of the Series BB-2015 Bonds, to each potential investor requesting a copy of the Official Statement and to each person to whom such purchaser and members of his group initially sell the Series BB-2015 Bonds.

The President and Chief Executive Officer of KUB, or her designee, is authorized, on behalf of the Board, 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 Board except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 17. Continuing Disclosure. The City hereby covenants and agrees that KUB will provide annual financial information and material event notices for the Series BB-2015 Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. The Chief Financial Officer of KUB is authorized to execute at the closing of the sale of the Series BB-2015 Bonds, an agreement for the benefit of and enforceable by the owners of the Series BB-2015 Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of KUB 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 Bonds to take such actions and to initiate such proceedings as shall be necessary and appropriate to cause KUB to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

Section 18. Separability. If any section, paragraph or provision of this resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this resolution.

Section 19. Repeal of Conflicting Resolutions and Effective Date. All other resolutions and orders, or parts thereof, in conflict with the provisions of this resolution, are, to the extent of such conflict, hereby repealed and this resolution shall be in immediate effect from and after its adoption.

Adopted and approved this \_\_\_\_ day of \_\_\_\_\_, 2015.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Recorder



**EXHIBIT A**

**\$24,500,000**  
**CITY OF KNOXVILLE, TENNESSEE**  
**ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD**  
**WATER SYSTEM REVENUE REFUNDING BONDS, SERIES BB-2015**

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 201\_\_

Knoxville Utilities Board  
445 South Gay Street  
Knoxville, Tennessee 37902

Gentlemen:

The undersigned (the "Underwriter") offers to enter into this agreement with Knoxville Utilities Board ("KUB") which, upon your acceptance of this offer, will be binding upon you and upon us.

This offer is made subject to your acceptance of this agreement on or before 5:00 p.m., Eastern Standard Time, on \_\_\_\_\_, 201\_\_.

1. Purchase Price.

Upon the terms and conditions and upon the basis of the respective representations, warranties and covenants set forth herein, the Underwriter hereby agrees to purchase from KUB, and KUB hereby agrees to sell to the Underwriter, all (but not less than all) of \$24,500,000 aggregate principal amount of KUB's Water System Revenue Refunding Bonds, Series BB-2015 (the "Bonds"). The purchase price is \$\_\_\_\_\_ plus accrued interest and shall be paid in accordance with paragraph 6 hereof. The purchase price is equal to the par amount of the Bonds less \$\_\_\_\_\_ original issue discount, less \$\_\_\_\_\_ underwriter's discount and plus accrued interest. The Bonds are to be issued under and pursuant to, and are to be secured by the Resolution (collectively, the "Bond Resolution") adopted on \_\_\_\_\_, 2015, by the City Council of the City of Knoxville (the "City") at the request of KUB. The Bonds shall mature on the dates and shall bear interest at the rates all as described in the Official Statement referred to in Section 3 hereof. The maturities, rates and discount at which the Bonds are being sold are more fully described on **Schedule I** attached hereto.

The Bonds are being issued to provide funds to refinance the outstanding principal amount of the City's outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 (the "Refunded Bonds"), including the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the Bonds.

2. Public Offering.

The Underwriter intends to make an initial bona fide public offering of all of the Bonds at not in excess of the public offering prices set forth on the cover of the Official Statement and may subsequently change such offering price without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover of the Official Statement. The Underwriter reserves the right (i) to over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market; and (ii) to discontinue such stabilizing, if commenced at any time without prior notice.

3. Official Statement.

(a) KUB has provided the Underwriter with information that constitutes a "deemed final" official statement for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12"). Concurrently with KUB's acceptance of this Bond Purchase Agreement, KUB shall deliver or cause to be delivered to the Underwriter two copies of the Official Statement (as hereinafter defined) relating to the Bonds dated the date hereof substantially in the same form as the Preliminary Official Statement with only such changes as shall have been accepted by the Underwriter.

(b) Within seven (7) business days from the date hereof and within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, KUB shall deliver to the Underwriter copies of the Official Statement of KUB, dated the date hereof, relating to the Bonds, in sufficient quantity as may reasonably be requested by the Underwriter in order to comply with Rule 15c2-12 and any applicable rules of the Municipal Securities Rulemaking Board, in substantially the form approved by KUB (which, together with the cover page, and all exhibits, appendices, and statements included therein or attached thereto and any amendments and supplements that may be authorized for use with respect to the Bonds is herein called the "Official Statement"), executed on behalf of KUB by a duly authorized officer of KUB. You hereby authorize and approve the Official Statement and other pertinent documents referred to in Section 6 hereof to be lawfully used in connection with the offering and sale of the Bonds. You also acknowledge and ratify the use by the Underwriter, prior to the date hereof, of the Preliminary Official Statement in connection with a public offering of the Bonds.

(c) If, prior to the Closing (as defined in Section 5 below) or within twenty-five (25) days subsequent to the end of the underwriting period as such term is used for purposes of Rule 15c2-12, any event shall occur with respect to KUB or KUB shall receive notice of the occurrence of any other event that might or would cause the information contained in the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, KUB shall so notify the Underwriter. KUB agrees to amend or supplement the Official Statement whenever requested by the Underwriter when in the reasonable judgment of the Underwriter such amendment or supplementation is required and to furnish the Underwriter with sufficient quantities of such amendment or supplement in order to permit the Underwriter to comply with Rule 15c2-12.

4. Representations and Warranties.

KUB hereby represents and warrants to the Underwriter that:

(a) KUB is duly existing pursuant to the Charter of the City and is authorized by such Charter to operate and manage the System. KUB has duly authorized all necessary action to be taken by it for: (i) the issuance and sale of the Bonds upon the terms set forth herein and in the Official Statement; (ii) the approval of the Official Statement and the signing of the Official Statement by a duly

authorized officer; (iii) the execution, delivery and receipt of this Bond Purchase Agreement, the Bonds and any and all such other agreements and documents as may be required to be executed, delivered and received by KUB in order to carry out, give effect to, and consummate the transactions contemplated hereby, by the Bonds, the Official Statement and the Bond Resolution;

(b) When executed by the respective parties thereto, this Bond Purchase Agreement will constitute legal, valid and binding obligation of KUB enforceable in accordance with its terms;

(c) The information and statements contained in the Preliminary Official Statement, as of its date and as of the date hereof, did not and do not contain any untrue statement of a material fact or omit to state any material fact which was necessary in order to make such information and statements, in the light of the circumstances under which they were made, not misleading;

(d) The information and statements contained in the Official Statement, as of its date and as of the Closing, are and will be correct and complete in all material respects and do not and will not contain any untrue statement of a material fact or omit to state any material fact which is necessary in order to make such information and statements, in the light of the circumstances under which they were made, not misleading;

(e) KUB has complied, and will at the Closing be in compliance, in all respects with the obligations on its part contained in the Bond Resolution and the laws of the State of Tennessee (the "State"), including the Act;

(f) The City has duly adopted the Bond Resolution, and the City and KUB have (a) duly authorized and approved the distribution of the Preliminary Official Statement, (b) duly authorized and approved the execution and delivery of the Official Statement, (d) duly authorized and approved the execution and delivery of, and the performance by KUB of the obligations on its part contained in, the Bonds, the Bond Resolution and this Bond Purchase Agreement, and (e) duly authorized and approved the consummation by it of all other transactions contemplated by this Bond Purchase Agreement and the Official Statement;

(g) KUB is not in breach of or default under any applicable law or administrative regulation of the State or the United States in any manner related to or affecting the transactions contemplated hereby or in breach of or default under any applicable judgment or decree or any loan agreement, note, resolution, ordinance, agreement or other instrument to which KUB is a party or to which it or any of its property is otherwise subject; and the execution and delivery of this Bond Purchase Agreement, the Bonds and the adoption of the Bond Resolution, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, ordinance, agreement or other instrument to which KUB is a party or to which it or any of its property is otherwise subject;

(h) Except as may be required under the securities or "blue sky" laws of any state, all approvals, consents, authorizations and orders of, filings with or certifications by any governmental authority, board, agency or commission having jurisdiction, which would constitute a condition precedent to the performance by KUB of its obligations hereunder and under the Bond Resolution and the Bonds, have been obtained;

(i) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of KUB, threatened against KUB or others (a) affecting KUB or the corporate existence of KUB or the titles of its officers to their respective offices, (b) seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of Net Revenues pledged to pay the principal of and interest on the Bonds, or the pledge

thereof, (c) in any way contesting or affecting the transactions contemplated hereby or by the Official Statement or by the validity or enforceability of the Bonds, the Bond Resolution or this Bond Purchase Agreement, (d) contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or (e) contesting the powers or authority of KUB for the issuance of the Bonds, the adoption of the Bond Resolution or the execution and delivery of this Bond Purchase Agreement;

(j) KUB will not take or omit to take any action that will in any way cause the proceeds from the sale of the Bonds and other moneys of KUB to be transferred on the date of issuance of the Bonds to be applied or result in such proceeds and other moneys being applied in a manner other than as provided in or permitted by the Bond Resolution and consistent with the utilization described in the Official Statement;

(k) KUB agrees reasonably to cooperate with the Underwriter and its counsel in any endeavor to qualify the Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Underwriter may request. KUB hereby consents to the use of the Official Statement and the Bond Resolution by the Underwriter in obtaining any qualification required;

(l) If at any time from the date of this Bond Purchase Agreement through 25 days following the "end of the underwriting period" (as defined in Rule 15c2-12 described below) any event shall occur that might or would cause the Official Statement to contain any untrue statement of a material fact or to omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, KUB shall notify the Underwriter and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, KUB will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. If the Official Statement is so supplemented or amended prior to the Closing, such approval by the Underwriter of a supplement or amendment to the Official Statement shall not preclude the Underwriter from thereafter terminating this Bond Purchase Agreement, and if the Official Statement is so amended or supplemented subsequent to the date hereof and prior to the Closing, the Underwriter may terminate this Bond Purchase Agreement by notification to KUB at any time prior to the Closing if, in the judgment of the Underwriter, such amendment or supplement has or will have a material adverse effect on the marketability of the Bonds;

(m) KUB has duly authorized and approved the execution and delivery of this Bond Purchase Agreement and the performance by KUB of the obligations on its part contained herein;

(n) KUB is not, nor has it at any time, been in default in the payment of principal of or interest on any obligation issued or guaranteed by KUB;

(o) Any certificate signed by an authorized officer of KUB and delivered to the Underwriter at or prior to the Closing shall be deemed a representation and warranty by KUB in connection with this Bond Purchase Agreement to the Underwriter as to the statements made therein upon which the Underwriter shall be entitled to rely. KUB covenants that between the date hereof and the Closing, it will not take any action that will cause the representations and warranties made herein to be untrue as of the Closing;

(p) The Bonds, when issued, authenticated and delivered in accordance with the Bond Resolution and sold to the Underwriter as provided herein, will be validly issued and outstanding special obligations of KUB entitled to the benefits of the Bond Resolution;

(q) KUB has lawful authority to operate the System, to consummate the transactions contemplated by the Official Statement and collect revenues, fees and other charges in connection with

the System and through its Board of Commissioners, to fix the rates, fees and other charges with respect to the System; and

(r) KUB hereby covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about KUB, for the benefit of the beneficial owners of the Bonds on or before the date of delivery of the Bonds as required under paragraph (b)(5) of Rule 15c2-12. The Undertaking shall be as described in the Preliminary Official Statement, with such changes as may be agreed in writing by the Underwriter. KUB represents that it has complied in all respects with its obligations to provide continuing disclosure of certain information as described in that certain Continuing Disclosure Certificate entered into in connection with the issuance of the Bonds.

5. Delivery of, and Payment for, the Bonds.

At 10:00 a.m. on or about \_\_\_\_\_, 201\_\_, or at such other time or date as shall have been mutually agreed upon by KUB and the Underwriter, KUB will deliver, or cause to be delivered, to the Underwriter the other documents hereinafter mentioned and, subject to the conditions contained herein, the Underwriter will accept such delivery and pay the purchase price of the Bonds plus accrued interest payable to the order of KUB, in federal funds or other immediately available funds by delivering to KUB such funds by wire transfer to KUB or its designated agent except that physical delivery of the Bonds shall be made through the facilities of the Depository Trust Company.

Payment for the Bonds shall be confirmed and delivery of the documents as aforesaid shall be made at the offices of KUB, or such other place as may be agreed upon by the Underwriter and KUB. Such payment and delivery is herein called the "Closing." The Bonds will be delivered as fully registered bonds in such names and in such denominations as shall be designated in writing by the Underwriter to KUB at Closing.

6. Certain Conditions to Underwriter's Obligations.

The obligations of the Underwriter hereunder shall be subject to (i) the performance by KUB of its obligations to be performed hereunder, (ii) the accuracy in all material respects of the representations and warranties of KUB herein as of the date hereof and as of the date of the Closing, and (iii) to the following conditions:

(a) At the time of Closing, (i) the Bond Resolution shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, (ii) the proceeds of the sale of the Bonds shall be applied as described in the Official Statement, and (iii) KUB shall have duly adopted and there shall be in full force and effect such other resolutions as, in the opinion of Bass Berry & Sims PLC, Knoxville, Tennessee ("Bond Counsel"), shall be necessary in connection with the transactions contemplated hereby;

(b) At or prior to the Closing, the Underwriter shall have received an executed copy of each of the following documents:

(1) the approving opinion, dated the date of the Closing, of Bond Counsel addressed to KUB and the Underwriter, relating to, among other things, the validity of the Bonds [and the exclusion from gross income of the interest on the Bonds for federal and State of Tennessee income tax purposes,] in substantially the form set forth as Appendix \_ to the Official Statement;

(2) a supplemental opinion, dated the date of the Closing, of Bond Counsel addressed to the Underwriter in substantially the form of Exhibit A hereto;

(3) an opinion, dated the date of the Closing, of Hodges, Doughty & Carson, Knoxville, Tennessee, counsel to KUB, addressed to KUB, Bond Counsel and the Underwriter in substantially the form of Exhibit B hereto;

(4) a certificate of KUB, dated the date of the Closing and signed by a duly authorized officer of KUB and in form and substance reasonably satisfactory to the Underwriter, to the effect that (i) since the execution of the Bond Purchase Agreement no material and adverse change has occurred in the financial position of the System or results of operations of the System; (ii) KUB has not incurred any material liabilities secured by the Net Revenues of the System other than in the ordinary course of business or as set forth in or contemplated by the Official Statement; and (iii) no event affecting KUB has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading as of the date of Closing;

(5) the Official Statement executed on behalf of KUB by a duly authorized officer thereof;

(6) the Bond Resolution and the Bonds;

(7) a certificate of a duly authorized officer of KUB, satisfactory to the Underwriter, dated the date of Closing, stating that such officer is charged, either alone or with others, with the responsibility for issuing the Bonds; setting forth, in the manner permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), the reasonable expectations of KUB as of such date as to the use of proceeds of the Bonds and of any other funds of KUB expected to be used to pay principal or interest on the Bonds and the facts and estimates on which such expectations are based; and stating that, to the best of the knowledge and belief of the certifying officer, KUB's expectations are reasonable;

(8) evidence indicating a rating on the Bonds of "\_\_\_" by [rating agency];

(9) other certificates of KUB listed on a Closing Memorandum to be approved by counsel to KUB, Bond Counsel and counsel to the Underwriter, including any certificates or representations required in order for Bond Counsel to deliver the opinion referred to in Paragraph 7(b) (1) of this Bond Purchase Agreement; and such additional legal opinions, certificates, proceedings, instruments and other documents as the counsel to the Underwriter or Bond Counsel may reasonably request to evidence compliance by KUB with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of KUB contained herein and the due performance or satisfaction by KUB at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by KUB.

All such opinions, certificates, letters, agreements and documents will be in compliance with the provisions hereof only if they are satisfactory in form and substance to the Underwriter and counsel to the Underwriter. KUB will furnish the Underwriter with such conformed copies or photocopies of such opinions, certificates, letters, agreements and documents as the Underwriter may reasonably request.

(c) The Underwriter shall have received within seven (7) business days from the date hereof and within sufficient time to accompany any confirmation requesting payment from any customers of the Underwriter, the Official Statement in sufficient quantity as may be reasonably requested by the Underwriter in order to comply with Rule 15(c) 2-12.

7. Termination.

The Underwriter shall have the right to cancel its obligation to purchase the Bonds if (i) between the date hereof and the Closing, legislation shall be enacted or recommended to the Congress or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a bill to amend the Internal Revenue Code (which, if enacted, would take effect in whole or in part prior to the Closing) shall be filed in either house, or recommended for passage by the Congress by any joint or conference committee thereof, or a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling, regulation or statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed to be made, with respect to the federal taxation upon interest on obligations of the general character of the Bonds, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly of changing the federal income tax consequences of any of the transactions contemplated in connection herewith, including the tax-exempt status of KUB and, in the opinion of the Underwriter, materially adversely affects the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, or (ii) there shall exist any event which in the Underwriter's judgment either (a) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (b) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in any material respect, or (iii) there shall have occurred any outbreak of hostilities or any national or international calamity or crisis including financial crisis, or a financial crisis or a default with respect to the debt obligations of, or the institution of proceedings under the federal or the state bankruptcy laws by or against the State of Tennessee or any subdivision, agency or instrumentality of such State, the effect of which on the financial markets of the United States being such as, in the reasonable judgment of the Underwriter, would make it impracticable for the Underwriter to market the Bonds or to enforce contracts for the sale of the Bonds, or (iv) there shall be in force a general suspension of trading on the New York Stock Exchange, or (v) a general banking moratorium shall have been declared by either federal, Tennessee or New York authorities, or (vi) there shall have occurred since the date of this Bond Purchase Agreement any material adverse change in the financial position of the System, except for changes which the Official Statement discloses have occurred or may occur, or (vii) legislation shall be enacted or any action shall be taken by the Securities and Exchange Commission which, in the opinion of counsel for the Underwriter, has the effect of requiring the contemplated distribution of the Bonds to be registered under the Securities Act of 1933, as amended, or the Bond Resolution or any other document executed in connection with the transactions contemplated hereof to be qualified under the Trust Indenture Act of 1939, as amended, or (viii) a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of the Bonds, or of obligations of the general character of the Bonds as contemplated hereby, or the offering of any other obligation which may be represented by the Bonds is in violation of any provision of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Trust Indenture Act of 1939, as amended, or (ix) any state blue sky or securities commission shall have withheld registration, exemption or clearance of the offering, and in the reasonable judgment of the Underwriter the market for the Bonds is materially affected thereby.

If KUB shall be unable to satisfy any of the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement and such condition is not waived by the Underwriter, or if the obligations of the Underwriter to purchase and accept delivery of the Bonds shall be terminated or canceled for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor KUB shall be under further obligation

hereunder; except that the respective obligations to pay expenses, as provided in Section 11 hereof, shall continue in full force and effect.

8. Particular Covenants.

KUB covenants and agrees with the Underwriter as follows:

(a) KUB shall use its best efforts to furnish or cause to be furnished to the Underwriter, without charge, as many copies of the Official Statement as the Underwriter may reasonably request;

(b) Before revising, amending or supplementing the Official Statement, KUB shall furnish a copy of the revised Official Statement or such amendment or supplement to the Underwriter. If in the opinion of KUB and the Underwriter a supplement or amendment to the Official Statement is required, KUB will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter and its counsel.

9. Survival of Representations.

All representations, warranties and agreements of KUB hereunder shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of the Bonds.

10. Payment of Expenses.

Whether or not the Bonds are sold to the Underwriter by KUB, KUB shall pay, but only out of the proceeds of the sale of the Bonds or other funds made available by KUB, any expenses incident to the performance of its obligations hereunder, including but not limited to: (i) the cost of the preparation and printing of the Official Statement and any supplements thereto, together with a number of copies which the Underwriter deems reasonable; (ii) the cost of the preparation and printing of the definitive Bonds; (iii) the rating agency fees; and (iv) the fees and disbursements of Counsel to KUB and Bond Counsel and any other experts or consultants retained by KUB.

Whether or not the Bonds are sold to the Underwriter, the Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds; (ii) the cost of preparing and printing the blue sky memorandum, if any, and filing fees in connection with the aforesaid blue sky memorandum other than the costs of preparation of the Preliminary Official Statement and the Official Statement; and (iii) all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds, including the fees and expenses of the Underwriter's counsel.

11. No Advisory or Fiduciary Role.

KUB acknowledges and agrees that (i) the purchase and sale of the Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between KUB and the Underwriter, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and are not acting as the agent, advisor or fiduciary of KUB, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of KUB with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter, or any affiliates of the Underwriter, has provided other services or are currently providing other services to KUB on other matters) and the Underwriter has no obligation to KUB with respect to the offering contemplated hereby except the obligations expressly set forth in this Bond Purchase Agreement, (iv) the Underwriter

has financial and other interests that differ from those of KUB and (v) KUB has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

KUB and the Underwriter represent and warrant that no finder or other agent has been employed by either KUB or the Underwriter in connection with this transaction.

12. Notices.

Any notice or other communication to be given to KUB under this Bond Purchase Agreement may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Underwriter under this Bond Purchase Agreement may be given by delivering the same in writing to \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_.

13. Parties.

This Bond Purchase Agreement is made solely for the benefit of KUB and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

14. Governing Law.

This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

15. General.

This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which will constitute one and the same instrument. The section headings of this Bond Purchase Agreement are for convenience of reference only and shall not affect its interpretation. This Bond Purchase Agreement shall become effective upon your acceptance hereof.

Very truly yours,

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Accepted and agreed to as of  
the date first above written:

KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
Senior Vice President and Chief Financial Officer

**EXHIBIT A TO BOND PURCHASE AGREEMENT**

**[LETTERHEAD OF BASS BERRY & SIMS PLC]**

[Closing Date]

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Ladies and Gentlemen:

This opinion is being rendered to you pursuant to Paragraph 6(b)(2) of the Bond Purchase Agreement, dated \_\_\_\_\_, 201\_\_ (the "Bond Purchase Agreement"), between \_\_\_\_\_ (the "Underwriter"), and Knoxville Utilities Board ("KUB"), relating to the sale by KUB of its Water System Revenue Refunding Bonds, Series BB-2015, in the aggregate principal amount of \$24,500,000 (the "Bonds"). Terms which are used herein and not otherwise defined shall have the meanings assigned to them in the Bond Purchase Agreement.

Of even date herewith, we have delivered our approving opinion in connection with the issuance of the Bonds. In our capacity as Bond Counsel, we have reviewed a record of proceedings in connection with the issuance of the Bonds and we have participated in conferences from time to time with counsel to KUB, representatives of the Underwriter and counsel to the Underwriter, relative to the Official Statement, dated \_\_\_\_\_, 201\_\_, relating to the Bonds, and the related documents described below. We have also examined such other agreements, documents and certificates, and have made such investigations of law, as we have deemed necessary or appropriate in rendering the opinions set forth below.

Based on the foregoing, we are of the opinion that, as of the date hereof:

1. The offer and sale of the Bonds to the public do not require any registration under the Securities Act of 1933, as amended, and, in connection therewith, the Bond Resolution does not need to be qualified under the Trust Indenture Act of 1939, as amended.

2. The statements contained in the Official Statement under the captions "Introduction" to the extent the narrative thereunder purports to describe the terms of the Bonds and the legal authority by which they are issued, "The Bonds," and in Appendix A to the Official Statement, insofar as such statements purport to summarize certain provisions of the Bonds and the Bond Resolution, fairly summarize such provisions. The statements contained in the Official Statement under the caption "Opinion of Bond Counsel" are correct as to matters of law.

This opinion may be relied upon only by the Underwriter and by other persons to whom written permission to rely hereon is granted by us.

Very truly yours,

**EXHIBIT B TO BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 201\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Bass Berry & Sims  
900 South Gay Street, Suite 1700  
Knoxville, Tennessee 37902

Ladies and Gentlemen:

**Re: City of Knoxville, Tennessee acting on behalf of the Knoxville Utilities Board \$24,500,000 Water System Revenue Refunding Bonds, Series BB-2015**

Ladies and Gentlemen:

You have requested that the undersigned, General Counsel to the Knoxville Utilities Board of the City of Knoxville, Tennessee ("KUB"), render this opinion in connection with the execution, delivery and sale of the captioned bonds (the "Bonds"), the proceeds of which will be used to refinance the outstanding principal amount of the City's outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007.

It is our opinion that KUB is duly established and validly existing pursuant to the Charter of the City of Knoxville, Tennessee (the "Municipality"), and, pursuant to said Charter and the water system of the Municipality (the "System") is under the jurisdiction, control and management of KUB.

The undersigned does hereby certify that no litigation of any nature is now pending or, to our knowledge, threatened

- (1) seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds;
- (2) seeking to restrain or enjoin the charging of sufficient rates to pay the cost of operating, maintaining, repairing and insuring the System and to pay principal of and interest on the Bonds and all outstanding obligations payable from the revenues of the System;
- (3) in any manner questioning the proceedings or authority pursuant to which the Bonds are authorized or issued or such rates are charged;
- (4) in any manner questioning or relating to the validity of the Bonds;
- (5) contesting in any way the completeness or accuracy of the Official Statement prepared and distributed in connection with the sale of the Bonds;

(6) in any way contesting the corporate existence or boundaries of the Municipality, except for various pending actions challenging past or present annexation efforts of the Municipality, which will have no material adverse effect on the revenues of the System;

(7) contesting the title of the present officers of KUB to their respective offices; or

(8) contesting the powers of KUB or the authority of KUB with respect to the Bonds, or proceedings authorizing the Bonds, or any act to be done or document or certificate to be executed or delivered in connection with the issuance and delivery of the Bonds.

Neither the voters of the Municipality nor its governing body nor the Board of Commissioners of KUB have approved any special, local or private act or legislation passed by the General Assembly of the State of Tennessee at its most recent session or any amendments to the Charter of the Municipality affecting the power of the Municipality to issue the Bonds or pay the principal of, premium, if any, and interest on the Bonds when due or affecting the power of the Board of Commissioners of KUB to manage and control the System.

I hereby certify that \_\_\_\_\_ and \_\_\_\_\_ are the duly qualified, appointed and acting Chair and Secretary, respectively, of the Board of Commissioners of KUB with full power to act as such officers on behalf of KUB in connection with the execution and delivery of the Bonds.

Yours truly,

**EXHIBIT B**

**FORM OF REFUNDING ESCROW AGREEMENT**

**CITY OF KNOXVILLE, TENNESSEE  
ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD  
\$24,500,000 WATER SYSTEM REVENUE REFUNDING BONDS, SERIES BB-2015**

**REFUNDING ESCROW AGREEMENT**

This Refunding Escrow Agreement is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 201\_\_, by and between Knoxville Utilities Board ("KUB") acting on behalf of the City of Knoxville, Tennessee (the "City") and \_\_\_\_\_, \_\_\_\_\_, Tennessee (the "Agent").

**WITNESSETH:**

WHEREAS, the Board of Commissioners (the "Board") of KUB has determined to provide for payment of the City's outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 (the "Refunded Bonds") by depositing in escrow with the Agent funds that, with the investment income therefrom, will be sufficient to pay the principal of and interest on the portion of the Refunded Bonds set forth on Exhibit A hereto; and

WHEREAS, in order to obtain the funds needed to refund the Refunded Bonds, the City has authorized and issued its Water System Revenue Refunding Bonds, Series BB-2015, dated \_\_\_\_\_, 2015 (the "Refunding Bonds"); and

WHEREAS, a portion of the proceeds derived from the sale of the Refunding Bonds and certain funds of KUB, if any, will be deposited in escrow with the Agent hereunder and applied to the purchase of certain securities described herein, the principal amount thereof together with interest thereon to mature at such times and in such amounts as shall be sufficient to pay when due all of the principal of, premium, if any, and interest on the Refunded Bonds identified on Exhibit A; and

WHEREAS, in order to create the escrow hereinabove described, provide for the deposit of the proceeds of the Refunding Bonds and the application thereof, and provide for the payment of the Refunded Bonds, the parties hereto do hereby enter into this Agreement;

NOW, THEREFORE, KUB, in consideration of the foregoing and the mutual covenants herein set forth and in order to secure the payment of the Refunded Bonds according to their tenor and effect, does by these presents hereby grant, warrant, demise, release, convey, assign, transfer, alien, pledge, set over and confirm, to the Agent, and to its successors hereunder, and to it and its assigns forever, in escrow, all and singular the property hereinafter described to wit:

**DIVISION I**

All right, title and interest of KUB and the City in and to \$\_\_\_\_\_ derived from the proceeds of the sale of the Refunding Bonds and \$\_\_\_\_\_ derived from other funds of KUB.

## DIVISION II

All right, title and interest of KUB and the City in and to the Government Securities purchased with the funds described in Division I hereof and to all income, earnings and increment derived from or accruing to the Government Securities.

## DIVISION III

Any and all other cash or eligible investments from time to time hereafter, by delivery or by writing of any kind, conveyed, pledged, assigned or transferred in escrow hereunder by KUB or by anyone in its behalf to the Agent, which is hereby authorized to receive the same at any time to be held in escrow hereunder.

## DIVISION IV

Any other cash or eligible investments that is by the express provisions of this Agreement required to be subject to the pledge hereof and any additional property that may, from time to time hereafter, by delivery or by writing of any kind, be subject to the pledge hereof, by KUB or by anyone in its behalf, and the Agent is hereby authorized to receive the same at any time to be held in escrow hereunder.

TO HAVE AND TO HOLD, all and singular, the escrowed property, including all additional property which by the terms hereof has or may become subject to this Agreement, unto the Agent, and its successors and assigns, forever.

The escrowed property shall be held in escrow for the benefit and security of the owners from time to time of the portion of the Refunded Bonds identified on Exhibit A; but if the principal of and interest on the portion of the Refunded Bonds identified on Exhibit A shall be fully and promptly paid when due in accordance with the terms hereof, then this Agreement shall be and become void and of no further force and effect, otherwise the same shall remain in full force and effect, subject to the covenants and conditions hereinafter set forth.

## ARTICLE I DEFINITIONS AND CONSTRUCTION

SECTION 1.1 Definitions. In addition to words and terms elsewhere defined in this Agreement, the following words and terms as used in this Agreement shall have the following meanings, unless some other meaning is plainly intended:

"Agent" means \_\_\_\_\_, \_\_\_\_\_, Tennessee, its successors and assigns;

"Agreement" means this Refunding Escrow Agreement;

"Board" means the Board of Commissioners of KUB;

"City" means the City of Knoxville, Tennessee;

"Code" means the Internal Revenue Code of 1986, as amended, and any lawful regulations promulgated thereunder;

"Escrow Fund" shall have the meaning ascribed to it in Section 2.1 hereof;

"Escrow Property," "escrow property" or "escrowed property" means the property, rights and interest of KUB that are described in Divisions I through IV of this Agreement and hereinabove conveyed in escrow to the Agent;

"Government Securities" means obligations and securities described in Section 9-21-1012, Tennessee Code Annotated that are purchased pursuant to the terms of the Escrow Reinvestment Agreement on this Agreement;

"KUB" means Knoxville Utilities Board, Knoxville, Tennessee;

"Refunded Bonds" means the City's Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033;

"Refunding Bonds" means the City's Water System Revenue Refunding Bonds, Series BB-2015, dated \_\_\_\_\_, 2015;

"Written Request" means a request in writing signed by the President and Chief Executive Officer of KUB, the Chief Financial Officer of KUB or by any other officer or official of KUB duly authorized by KUB to act in their place.

SECTION 1.2 Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa unless the context shall otherwise indicate. The word "person" shall include corporations, associations, natural persons and public bodies unless the context shall otherwise indicate. Reference to a person other than a natural person shall include its successors.

## ARTICLE II ESTABLISHMENT AND ADMINISTRATION OF FUNDS

SECTION 2.1 Creation of Escrow; Deposit of Funds. KUB hereby creates and establishes with the Agent a special and irrevocable escrow composed of the Escrowed Property and hereby deposits with the Agent and the Agent hereby acknowledges receipt of \$\_\_\_\_\_ as described in Division I hereof. The monies so deposited, together with investment income therefrom, is herein referred to as the "Escrow Fund" and shall constitute a fund to be held by the Agent as a part of the Escrowed Property created, established, and governed by this Agreement.

SECTION 2.2 Investment of Funds. The monies described in Section 2.1 hereof shall be held or invested as follows:

(a) the amount of \$\_\_\_\_\_ shall be used to purchase the Government Securities described on Exhibit B attached hereto; and

(b) the amount of \$\_\_\_\_\_ shall be held as cash in a non-interest-bearing account.

Except as provided in Sections 2.4 and 2.6 hereof, the investment income from the Government Securities in the Escrow Fund shall be credited to the Escrow Fund and shall not be reinvested. The Agent shall have no power or duty to invest any monies held hereunder or to make substitutions of

Government Securities held hereunder or to sell, transfer, or otherwise dispose of the Government Securities acquired hereunder except as provided herein.

Section 2.3. Disposition of Escrow Funds. The Agent shall without further authorization or direction from KUB collect the principal and interest on the Government Securities promptly as the same shall fall due. From the Escrow Fund, to the extent that monies therein are sufficient for such purpose, the Agent shall make timely payments to the paying agent or its successor, for the Refunded Bonds of monies sufficient for the payment of the principal of and interest on the Refunded Bonds as the same shall become due and payable. Amounts and dates of principal and interest payments and the name and address of the paying agent with respect to the Refunded Bonds are set forth on Exhibit A. Payment on the dates and to the paying agent in accordance with Exhibit A shall constitute full performance by the Agent of its duties hereunder with respect to each respective payment. KUB represents and warrants that the Escrow Fund, if held, invested and disposed of by the Agent in accordance with the provisions of this Agreement, will be sufficient to make the foregoing payments. No paying agent fees, fees and expenses of the Agent, or any other costs and expenses associated with the Refunding Bonds or the Refunded Bonds shall be paid from the Escrow Fund, and KUB agrees to pay all such fees, expenses, and costs from its legally available funds as such payments become due. When the Agent has made all required payments of principal and interest on the Refunded Bonds to the paying agent as hereinabove provided, the Agent shall transfer any monies or Government Securities then held hereunder to KUB and this Agreement shall terminate.

Section 2.4. Excess Funds. Amounts held by the Agent, representing interest on the Government Securities in excess of the amount necessary to make the corresponding payment of principal and/or interest on the Refunded Bonds, shall be held by the Agent and invested pursuant to the Escrow Reinvestment Agreement without interest and shall be applied before any other Escrow Fund monies to the payment of the next ensuing principal and/or interest payment on the Refunded Bonds. Upon retirement of all the Refunded Bonds, the Agent shall pay any excess amounts remaining in the Escrow Fund to KUB.

Section 2.5. Reports. The Escrow Agent shall deliver to KUB a monthly report summarizing all transactions relating to the Escrow Fund; and on or before the first day of August of each year shall deliver to the Chief Financial Officer of KUB a report current as of June 30 of that year, which shall summarize all transactions relating to the Escrow Fund effected during the immediately preceding fiscal year of KUB and which also shall set forth all assets in the Escrow Fund as of June 30 and set forth opening and closing balances thereof for that fiscal year.

Section 2.6 Investment of Moneys Remaining in Escrow Fund. The Agent may invest and reinvest any monies remaining from time to time in the Escrow Fund until such time as they are needed. Such monies shall be invested in Government Securities, maturing no later than the next interest payment date of the Refunded Bonds, or for such periods or at such interest rates as the Agent shall be directed by Written Request, provided, however, that KUB shall furnish the Agent, as a condition precedent to such investment, with an opinion from nationally recognized bond counsel stating that such reinvestment of such monies will not, under the statutes, rules and regulations then in force and applicable to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on the Refunding Bonds or the Refunded Bonds not to be excluded from gross income for federal income tax purposes and that such investment is not inconsistent with the statutes and regulations applicable to the Refunding Bonds and Refunded Bonds. Any interest income resulting from reinvestment of monies pursuant to this Section 2.6 shall be applied first to the payment of principal of and interest on the Refunded Bonds to the extent the Escrow is or will be insufficient to retire the Refunded Bonds as set forth on Exhibit A and any excess shall be paid to KUB to be applied to the payment of the Refunding Bonds or the expenses of issuance thereof.

Section 2.7. Irrevocable Escrow Created. The deposit of monies, Government Securities, matured principal amounts thereof, and investment proceeds therefrom in the Escrow Fund shall constitute an irrevocable deposit of said monies and Government Securities for the benefit of the holders of the Refunded Bonds, except as provided herein with respect to amendments permitted under Section 4.1 hereof. All the funds and accounts created and established pursuant to this Agreement shall be and constitute escrow funds for the purposes provided in this Agreement and shall be kept separate and distinct from all other funds of KUB and the Agent and used only for the purposes and in the manner provided in this Agreement.

Section 2.8. Redemption of Refunded Bonds. The Refunded Bonds shall be redeemed as stated on Exhibit C attached hereto.

### ARTICLE III CONCERNING THE AGENT

SECTION 3.1 Appointment of Agent. KUB hereby appoints the Agent as escrow agent under this Agreement.

SECTION 3.2 Acceptance by Agent. By execution of this Agreement, the Agent accepts the duties and obligations as Agent hereunder. The Agent further represents that it has all requisite power, and has taken all corporate actions necessary to execute the escrow hereby created.

SECTION 3.3 Liability of Agent. The Agent shall be under no obligation to inquire into or be in any way responsible for the performance or nonperformance by KUB or any paying agent of its obligations, or to protect any of KUB's rights under any bond proceedings or any of KUB's other contracts with or franchises or privileges from any state, county, municipality or other governmental agency or with any person. The Agent shall not be liable for any act done or step taken or omitted to be taken by it, or for any mistake of fact or law, or anything which it may do or refrain from doing, except for its own gross negligence or willful misconduct in the performance or nonperformance of any obligation imposed upon it hereunder. The Agent shall not be responsible in any manner whatsoever for the recitals or statements contained herein or in the Refunded Bonds or in the Refunding Bonds or in any proceedings taken in connection therewith, but they are made solely by KUB. The Agent shall have no lien whatsoever upon any of the monies or investments in the Escrow Fund for the payment of fees and expenses for services rendered by the Agent under this Agreement.

The Agent shall not be liable for the accuracy of the calculations as to the sufficiency of Escrow Fund monies and Government Securities and the earnings thereon to pay the Refunded Bonds. So long as the Agent applies any monies, the Government Securities and the interest earnings therefrom to pay the Refunded Bonds as provided herein, and complies fully with the terms of this Agreement, the Agent shall not be liable for any deficiencies in the amounts necessary to pay the Refunded Bonds caused by such calculations. The Agent shall not be liable or responsible for any loss resulting from any investment made pursuant to this Agreement and in full compliance with the provisions hereof.

In the event of the Agent's failure to account for any of the Government Securities or monies received by it, said Government Securities or monies shall be and remain the property of KUB in escrow for the benefit of the holders of the Refunded Bonds, as herein provided, and if for any improper reason such Government Securities or monies are applied to purposes not provided for herein or misappropriated by the Agent, the assets of the Agent shall be impressed with a trust for the amount thereof until the required application of such funds shall be made or such funds shall be restored to the Escrow Fund.

SECTION 3.4 Permitted Acts. The Agent and its affiliates may become the owner of or may deal in the Refunding Bonds or Refunded Bonds as fully and with the same rights as if it were not the Agent.

SECTION 3.5 Exculpation of Funds of Agent. Except as set forth in Section 3.3, none of the provisions contained in this Agreement shall require the Agent to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights or powers hereunder. The Agent shall be under no liability for interest on any funds or other property received by it hereunder, except as herein expressly provided.

SECTION 3.6 No Redemption or Acceleration of Maturity. The Agent will not pay any of the principal of or interest on the Refunded Bonds, except as provided in Exhibit A attached hereto and will not redeem or accelerate the maturity of any of the Refunded Bonds except as provided in Section 2.9 hereof.

SECTION 3.7 Qualifications of Agent. There shall at all times be an Agent hereunder that shall be a corporation or banking association organized and doing business under the laws of the United States or any state, located in the State of Tennessee, authorized under the laws of its incorporation to exercise the powers herein granted, having a combined capital, surplus, and undivided profits of at least \$75,000,000 and subject to supervision or examination by federal or state authority. If such corporation or association publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this paragraph the combined capital, surplus, and undivided profits of such corporation or association shall be deemed to be its combined capital, surplus, and undivided profits as set forth in its most recent report of condition as published. In case at any time the Agent shall cease to be eligible in accordance with the provisions of this section, the Agent shall resign immediately in the manner and with the effect specified herein.

SECTION 3.8 Resignation of Agent. The Agent may at any time resign by giving direct written notice to KUB and by giving the holders of the Refunded Bonds notice by first-class mail of such resignation. Upon receiving such notice of resignation, KUB shall promptly appoint a successor escrow agent in the manner provided in the resolution authorizing the Refunding Bonds. If no successor escrow agent shall have been appointed and have accepted appointment within thirty (30) days after the publication of such notice of resignation, the resigning Agent may petition any court of competent jurisdiction located in Knox County, Tennessee, for the appointment of a successor, or any holder of the Refunded Bonds may, on behalf of himself and others similarly situated, petition any such court for the appointment of a successor. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor meeting the qualifications set forth in Section 3.7. The Agent shall serve as escrow agent hereunder until its successor shall have been appointed and such successor shall have accepted the appointment.

SECTION 3.9 Removal of Agent. In case at any time the Agent shall cease to be eligible in accordance with the provisions of Section 3.8 hereof and shall fail to resign after written request therefor by KUB or by any holder of the Refunded Bonds, or the Agent shall become incapable of acting, shall be adjudged a bankrupt or insolvent or a receiver of the Agent or any of its property shall be appointed, or any public officer shall take charge or control of the Agent or its property or affairs for the purpose of rehabilitation, conservation, or liquidation, then in any such case, the Board may remove the Agent and appoint a successor in the manner provided in the resolution authorizing the Refunding Bonds or any such bondholder may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction situated in Knox County, Tennessee for the removal of the Agent and the appointment of a successor. Such court may thereupon, after such notice, if any, as it may deem proper, remove the Agent and appoint a successor who shall meet the qualifications set forth in Section 3.8. Unless incapable of

serving, the Agent shall serve as escrow agent hereunder until its successor shall have been appointed and such successor shall have accepted the appointment.

The holders of a majority in aggregate principal amount of all the Refunded Bonds at any time outstanding may at any time remove the Agent and appoint a successor by an instrument or concurrent instruments in writing signed by such bondholders and presented, together with the successor's acceptance of appointment, to KUB and the Agent.

Any resignation or removal of the Agent and appointment of a successor pursuant to any of the provisions of this Agreement shall become effective upon acceptance of appointment by the successor as provided in Section 3.10 hereof.

SECTION 3.10 Acceptance by Successor. Any successor escrow agent appointed as provided in this Agreement shall execute, acknowledge and deliver to KUB and to its predecessor an instrument accepting such appointment hereunder and agreeing to be bound by the terms hereof, and thereupon the resignation or removal of the predecessor shall become effective and such successor, without any further act, deed or conveyance, shall become vested with all the rights, powers, duties and obligations of its predecessor, with like effect as if originally named as Agent herein; but, nevertheless, on Written Request of KUB or the request of the successor, the predecessor shall execute and deliver an instrument transferring to such successor all rights, powers and escrow property of the predecessor. Upon request of any such successor, KUB shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor all such rights, powers and duties. No successor shall accept appointment as provided herein unless at the time of such acceptance such successor shall be eligible under the provisions of Section 3.7 hereof.

Any corporation into which the Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Agent shall be a party, or any corporation succeeding to the business of the Agent, shall be the successor of the Agent hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor shall be eligible under the provisions of Section 3.8 hereof.

SECTION 3.11 Payment to Agent. KUB agrees to pay the Agent, as reasonable and proper compensation under this Agreement, a one-time fee of \$\_\_\_\_. The Agent shall be entitled to reimbursement of all advances, counsel fees and expenses, and other costs made or incurred by the Agent in connection with its services and/or its capacity as Agent or resulting therefrom. In addition, KUB agrees to pay to the Agent all out-of-pocket expenses and costs of the Agent incurred by the Agent in the performance of its duties hereunder, including all publication, mailing and other expenses associated with the redemption of the Refunded Bonds; provided, however, that KUB agrees, to the extent permitted by law, to indemnify the Agent and hold it harmless against any liability (unless such liability is due to the gross negligence or willful misconduct of the Agent) which it may incur while acting in good faith in its capacity as Agent under this Agreement, including, but not limited to, any court costs and attorneys' fees, and such indemnification shall be paid from available funds of KUB and shall not give rise to any claim against the Escrow Fund.

#### ARTICLE IV MISCELLANEOUS

SECTION 4.1 Amendments to this Agreement. This Agreement is made for the benefit of KUB, the holders from time to time for the Refunded Bonds, and it shall not be repealed, revoked, altered or amended without the written consent of all such holders, the Agent and KUB; provided, however, that

KUB and the Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Agent for the benefit of the holders of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Agent shall be entitled to rely exclusively upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

Notwithstanding the foregoing or any other provision of this Agreement, upon Written Request and upon compliance with the conditions hereinafter stated, but only with the consent of the Provider, the Agent shall have the power to and shall, in simultaneous transactions, sell, transfer, otherwise dispose of or request the redemption of all or any portion of the Government Securities held hereunder and to substitute therefor direct obligations of, or obligations the principal of and interest on which are fully guaranteed by the United States of America, subject to the condition that such monies or securities held by the Agent shall be sufficient to pay principal of and interest on the Refunded Bonds. KUB hereby covenants and agrees that it will not request the Agent to exercise any of the powers described in the preceding sentence in any manner which will cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 148 of the Code in effect on the date of such request and applicable to obligations issued on the issue date of the Refunding Bonds. The Agent shall purchase such substituted securities with the proceeds derived from the maturity, sale, transfer, disposition or redemption of the Government Securities held hereunder or from other monies available. The transactions may be effected only if there shall have been submitted to the Agent: (1) an independent verification by a nationally recognized independent certified public accounting firm concerning the adequacy of such substituted securities with respect to principal and the interest thereon and any other monies or securities held for such purpose to pay when due the principal of and interest on the Refunded Bonds in the manner required by the proceedings which authorized their issuance; and (2) an opinion from nationally recognized bond counsel to the effect that the disposition and substitution or purchase of such securities will not, under the statutes, rules and regulations then in force and applicable to obligations issued on the date of issuance of the Refunding Bonds, cause the interest on the Refunding Bonds not to be exempt from Federal income taxation. Any surplus monies resulting from the sale, transfer, other disposition or redemption of the Government Securities held hereunder and the substitutions therefor of direct obligations of, or obligations the principal of and interest on which is fully guaranteed by, the United States of America, shall be released from the Escrow Fund and shall be transferred to KUB.

SECTION 4.2 Severability. If any provision of this Agreement shall be held or deemed to be invalid or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

SECTION 4.3 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Tennessee.

SECTION 4.4 Notices. Any notice, request, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by Registered or Certified Mail, postage prepaid, or sent by telegram as follows:

To KUB:

Chief Financial Officer  
Knoxville Utilities Board  
445 Gay Street  
Knoxville, Tennessee 37902

To the Agent:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

KUB and the Agent may designate in writing any further or different addresses to which subsequent notices, requests, communications or other papers shall be sent.

SECTION 4.5 Agreement Binding. All the covenants, promises and agreements in this Agreement contained by or on behalf of the parties shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 4.6 Termination. This Agreement shall terminate when all transfers and payments required to be made by the Agent under the provisions hereof shall have been made.

SECTION 4.7 Execution by Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, KUB has caused this Agreement to be signed in its name by its President and Chief Executive Officer and attested by the Secretary of its Board of Commissioners, and the Agent has caused this Agreement to be signed in its corporate name by its duly authorized officers, all as of the day and date first above written.

CITY OF KNOXVILLE, TENNESSEE  
by and through the  
KNOXVILLE UTILITIES BOARD

By: \_\_\_\_\_  
President and Chief Executive Officer

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Escrow Agent

By: \_\_\_\_\_  
Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A TO REFUNDING ESCROW AGREEMENT

Debt Service Schedule of the refunded Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 to the Redemption Date with name and address of the Paying Agent and Date and Amount of Redemption

<u>Payment Date</u>	<u>Principal Payable</u>	<u>Principal Redeemed</u>	<u>Interest Payable</u>	<u>Redemption Premium</u>	<u>Total Debt Service</u>
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Totals:

Paying Agent: Regions Bank  
Nashville, Tennessee

EXHIBIT B TO REFUNDING ESCROW AGREEMENT

Government Securities

Par Amount

Interest Rate

Maturity Date

Cost of Securities: \$ \_\_\_\_\_

Cash: \$ \_\_\_\_\_

EXHIBIT C TO REFUNDING ESCROW AGREEMENT

The outstanding Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 (the "Refunded Bonds") of the City of Knoxville, Tennessee shall be redeemed as provided in this Exhibit C. The Agent is hereby authorized and directed to give the paying agent for the Refunded Bonds notice on or before \_\_\_\_\_ to give notice of a \_\_\_\_\_ redemption to the holders of said Refunded Bonds in accordance with the resolution authorizing the issuance of said Refunded Bonds.

NOTICE OF REDEMPTION

THE CITY OF KNOXVILLE, TENNESSEE  
BY AND THROUGH THE  
KNOXVILLE UTILITIES BOARD

NOTICE IS HEREBY GIVEN that the City of Knoxville, Tennessee (the "City"), by and through the Knoxville Utilities Board, has elected to and does exercise its option to call and redeem on \_\_\_\_\_, all of the City's outstanding bonds as follows:

Water System Revenue Bonds, Series T-2007, dated November 1, 2007,  
maturing March 1, 2018 through March 1, 2033

The owners of the above-described Bonds are hereby notified to present the same to the principal office of Regions Bank, Nashville, Tennessee, where redemption shall be made at the price of par plus interest accrued to the redemption date. The redemption price will become due and payable on \_\_\_\_\_ upon each such Bond herein called for redemption and such Bonds shall not bear interest beyond \_\_\_\_\_.

Important Notice: Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Economic Growth and Tax Relief Reconciliation Act of 2003 (the "Act"), unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed W-9 or exemption certificate or equivalent when presenting your securities.

REGIONS BANK  
as Registration and Paying Agent

13922796.3



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

February 2, 2015

Honorable Madeline Rogero, Mayor  
City of Knoxville  
P.O. Box 1631  
Knoxville, TN 37901

Dear Mayor Rogero:

This letter acknowledges receipt on January 29, 2015, from the City of Knoxville (the "City") of a request to review a plan of refunding (the "Plan") for the issuance of a maximum \$32,250,000 Electric System Revenue Refunding Bonds, Series EE-2015 (the "Refunding Bonds"), to advance refund an estimated \$27,500,000 Electric System Revenue Bonds, Series Y-2009 (the "Refunded Bonds").

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

#### **BALLOON INDEBTEDNESS**

The proposed debt to be issued is secured solely by a revenue pledge and the City has some amount of long-term revenue indebtedness outstanding that is rated AA+/Aa1 or better; therefore, the debt falls under this exception to the balloon indebtedness statute.

#### **FINANCIAL PROFESSIONALS**

The City has reported Cumberland Securities Company, Inc. as its financial advisor. Financial advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of its financial advisor.

#### **CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the refunding is for present value savings.

## **COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY**

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

## **REPORT OF THE REVIEW OF A PLAN OF REFUNDING**

This letter, report, and the Plan are to be posted on the City's website, if there is one. The same report is to be provided to each member of the governing body and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

**The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.**

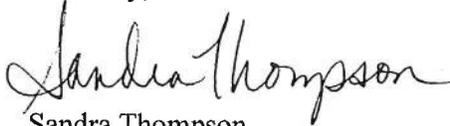
*This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

## REPORT ON DEBT OBLIGATION

We are enclosing the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to [stateandlocalfinance.publicdebtform@cot.tn.gov](mailto:stateandlocalfinance.publicdebtform@cot.tn.gov). No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. The form can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Ms. Mintha Roach, President and CEO, Knoxville Utilities Board  
Mr. Joseph Ayres, Cumberland Securities Company, Inc.  
Mr. Scott Gibson, Cumberland Securities Company, Inc.  
Mr. Mark Mamantov, Bass Berry & Sims

Enclosures: Report of the Director of the Office of State & Local Finance  
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE  
BY THE CITY OF KNOXVILLE, TENNESSEE OF  
ELECTRIC SYSTEM REVENUE REFUNDING BONDS, SERIES EE-2015**

City of Knoxville (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of a maximum \$32,250,000 Electric System Revenue Refunding Bonds, Series EE-2015 (the "Refunding Bonds"), to advance refund an estimated \$27,500,000 Electric System Revenue Bonds, Series Y-2009 (the "Refunded Bonds").

The Plan was prepared with the assistance of the City's municipal advisor, Cumberland Securities Company, Inc. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

**BALLOON INDEBTEDNESS**

The proposed debt to be issued is secured solely by a revenue pledge and the City has some amount of long-term revenue indebtedness outstanding that is rated AA+/Aa1 or better; therefore, the debt falls under this exception to the balloon indebtedness statute.

**CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the refunding is for present value savings.

**REFUNDING ANALYSIS**

- The results of the refunding are based on the assumption that \$31,515,000 Refunding Bonds will be sold by competitive sale and priced at par.
- The estimated net present value savings of the refunding is \$1,247,528 or 4.54% of the refunded principal amount of \$27,500,000. Gross savings are \$1,502,307.
- The savings are generated by reducing the average coupon of the Refunded Bonds from 4.47% to an average coupon of 2.38% for the Refunding Bonds.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is \$427,931 or \$13.58 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1  
Costs of Issuance of the Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter (Competitive Sale)	\$ 252,930.75	\$ 8.03
Financial Advisor (Cumberland Securities Company.)	65,000.00	2.06
Bond Counsel (Bass Berry & Sims)	47,000.00	1.49
Other Costs (includes \$50,000 for rating agency fees)	63,000.00	2.00
<b>Total Cost of Issuance</b>	<b>\$ 427,930.75</b>	<b>\$ 13.58</b>

The City has identified Cumberland Securities Company, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

A handwritten signature in cursive script that reads "Sandra Thompson".

Sandra Thompson  
Director of the Office of State and Local Finance  
Date: February 2, 2015



Knoxville Utilities Board

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January 28, 2015

Ms. Sandra Thompson  
Director of Office of State and Local Finance  
Suite 1600, James K. Polk Building  
505 Deaderick Street  
Nashville, TN. 37243-1402

Re: Knoxville Utilities Board / City of Knoxville, Tennessee

Dear Ms. Thompson:

The Knoxville Utilities Board (the "Board") of the City of Knoxville, Tennessee (the "City") is pleased to enclose for your consideration a report entitled "Plan of Refunding" dated January 20, 2015. This report is being delivered to you to comply with Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

**Entity Information:**

(A) Knoxville Utilities Board, governed by Board of Commissioners, on behalf of the City of Knoxville, Tennessee, governed by the City Council, pursuant to the City's Charter, the Board has full legal authority and control all aspects of the issuance of the proposed refunding debt.

(B) Madeline Rogero, Mayor  
P.O. Box 1631 Knoxville, TN 37901

Mintha Roach, KUB CEO  
445 South Gay Street Knoxville, TN 37902  
Mark Walker, KUB CFO (865) 594-7418  
445 South Gay Street Knoxville, TN 37902  
E-Mail address: [mintha.roach@kub.org](mailto:mintha.roach@kub.org) and [mark.walker@kub.org](mailto:mark.walker@kub.org)

(C) Contacts for additional information:  
Financial Advisor: Cumberland Securities Company, Inc. (865-988-2663)  
Joe Ayres: [joe.ayres@cumberlandsecurities.com](mailto:joe.ayres@cumberlandsecurities.com) and  
Scott P. Gibson: [scott.gibson@cumberlandsecurities.com](mailto:scott.gibson@cumberlandsecurities.com)

**Timing Information:**

(A) March 3, 2015 regularly scheduled City Council Meeting

**Specific Request for:**

- (A) The Board on behalf of the City hereby requests a Report from the Office of State and Local Finance on the enclosed Plan of Refunding pursuant to Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

The City is proposing to refinance the following outstanding obligations: Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 in the principal amount of \$27,500,000 (the "Series Y-2009 Bonds").

The enclosed Plan of Refunding outlines the projected structure based upon current market conditions. To maximize flexibility the City's bond resolution will be drafted to authorize the refunding of all or any portion of the above referenced debt. Therefore, the final structure and sizing could vary from the enclosed request based on the final structure of the proposed Bonds.

The City Council is scheduled to meet on Tuesday, March 3, 2015 to discuss the Plan of Refunding and other documents related to this refinancing plan.

If you have any questions or need any additional information with respect to this financing, please do not hesitate to contact me or our Financial Advisor, Mr. Joe Ayres or Mr. Scott P. Gibson at Cumberland Securities Company, Inc. (865-988-2663) at your earliest convenience.

Very truly yours,



Mintha Roach  
President and CEO

cc: Mayor Madeline Rogero  
Mr. Joe Ayres  
Mr. Mark Mamantov

Enclosure

## **Plan of Refunding**

### **Knoxville Utilities Board / City of Knoxville, Tennessee**

#### **Electric System**

**A) Identification of Key Professionals (including financial advisors, bond counsel, underwriters, or lenders) who have provided advice or proposals on which the Entity relied to prepare the Plan):**

1. Underwriter: Determined at Competitive Public Sale
2. Bond Counsel: Bass, Berry & Sims
3. Financial Advisor: Cumberland Securities Company, Inc.

**B) Purpose(s) of Refunding, including parameters:**

1. **Cost Savings: Include a projection of the savings and amortization schedules for both refunding and refunded debt:**
  - a. See attached Preliminary Refunding Analysis page 1
2. **Restructuring: provide a comparison of existing and proposed structures, describing why debt is being restructured:**
  - a. N/A
3. **Covenant change: Clearly describe covenant to be eliminated or revised and any change in the structure:**
  - a. N/A
4. **Reduction or elimination of risk: describe risk to be reduced or eliminated:**
  - a. The proposed refunded bonds are fixed rate and will be refunded with fixed rate bonds, therefore, there will be no change in risk.

**C) Statement that the proposed refunding complies with the Entity's adopted debt management policy and a description of how the transaction is consistent with the policy, including any savings threshold. If there is no adopted policy or the transaction is not consistent, the Entity shall provide a detailed explanation.**

1. KUB adopted a debt management policy on November 17, 2011 and amended the policy on September 20, 2012. The proposed structure does have savings in excess of 3% and does not extend debt past the original life of the issue which is consistent with the KUB debt management policy. Additionally, the proposed debt is traditional fixed rate debt and is the preferred form of debt under KUB's debt management policy.

**D) Other Information**

1. **Amortization schedules for both (proposed) refunding and (outstanding) debt to be refunded,**
  - a. Proposed refunding debt schedule: See attached Preliminary Refunding Analysis page 3.
  - b. Outstanding debt schedule(s): See attached Preliminary Refunding Analysis page 2.

**As well as the following:**

2. **Refunding Debt:**

- a. **Maximum size to be authorized by the governing body, identifying all outstanding debt that could be included in the refunding:**
    - i. Maximum size authorized by governing body = \$32,250,000. To refund the Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 in the principal amount of \$27,500,000 (the "Series Y-2009 Bonds").
  - b. Anticipated Size = \$31,515,000
  - c. **Anticipated final maturity and weighted average maturity. If the final maturity is extended beyond the fiscal year of final maturity of debt to be refunded or the weighted average maturity is increased, list the projects as required below for refunded debt:**
    - i. Final Maturity = 7/1/2029 expected (Same as refunded Debt)
    - ii. Weighted Average Maturity = 9.002 Years (Less Than Refunded Debt)
  - d. **Estimated Breakdown of Costs of Issuance:** See attached Preliminary Refunding Analysis page 6.
  - e. **Estimated Sources and Uses of Funds:** See attached Preliminary Refunding Analysis page 4.
3. **Refunded Debt: Information must be provided with respect to *each debt issue to be refunded*; (if all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).**
- a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
    - i. Electric System Revenue Bonds, Series Y-2009, dated February 20, 2009, maturing July 1, 2019 through July 1, 2029 in the principal amount of \$27,500,000 (the "Series Y-2009 Bonds"). The Series Y-2009 Bonds are tax-exempt, fixed-rate debt, with a final maturity on July 1, 2029.
  - b. **Date of issue and copy of CT-0253 filed.**
    - i. Date of Issue = February 20, 2009. The CT-0253 was filed with the Office of State and Local Finance in connection with the issue of the Series Y-2009 Bonds.
  - c. **Date of authorization by the governing body.**
    - i. The Series Y-2009 Bonds were authorized by the City's governing body on July 29, 2008.
  - d. **Whether bank-qualified or under other small issuer exception.**
    - i. No
  - e. **Projects funded with proceeds of issue and remaining average life of projects (If final maturity or weighted average maturity of debt is extended).**
    - i. The purpose of the Series Y-2009 Bonds was to provide funds to pay the costs of the construction, renovation, extension and improvements to the Electric System; and to pay costs incident to the issuance and sale of the Series Y-2009 Bonds. The average life of the proposed refunding bonds will not be longer than the average remaining life of the assets financed.

**f. Derivative product, if any, and copy of Report of Compliance:**

- 1.) There is no derivative agreement associated with the Series Y-2009 Bonds.

**Knoxville Utilities Board**  
of the  
**City of Knoxville, Tennessee**

**Preliminary  
Refunding Analysis  
Electric System**

As of January 20, 2015

Prepared By:

**Cumberland Securities Company, Inc.**

Independent Financial Advisors  
813 S. Northshore Drive, Suite 201A  
Knoxville, Tennessee 37919  
Telephone: (865) 988-2663  
Facsimile: (865) 988-1863



**CUMBERLAND SECURITIES**

**Knoxville Utilities Board**  
**Preliminary Refunding Analysis**  
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**\$31,515,000**  
 City of Knoxville, Tennessee / Knoxville Utilities Board  
 Electric System Revenue Refunding Bonds, Series EE-2015

**Estimated Savings Analysis**

Date	Principal	Coupon	Interest	Total P+I	Refunded D/S	Estimated Savings
06/30/2015	-	-	-	-	-	-
06/30/2016	630,000.00	0.400%	500,923.77	1,130,923.77	1,230,375.00	99,451.23
06/30/2017	460,000.00	0.500%	668,397.50	1,128,397.50	1,230,375.00	101,977.50
06/30/2018	465,000.00	0.750%	665,503.75	1,130,503.75	1,230,375.00	99,871.25
06/30/2019	470,000.00	1.000%	661,410.00	1,131,410.00	1,230,375.00	98,965.00
06/30/2020	2,395,000.00	1.250%	644,091.25	3,039,091.25	3,141,375.00	102,283.75
06/30/2021	2,415,000.00	1.500%	611,010.00	3,026,010.00	3,126,750.00	100,740.00
06/30/2022	2,475,000.00	1.750%	571,241.25	3,046,241.25	3,147,375.00	101,133.75
06/30/2023	2,515,000.00	2.000%	524,435.00	3,039,435.00	3,137,375.00	97,940.00
06/30/2024	2,560,000.00	2.150%	471,765.00	3,031,765.00	3,134,125.00	102,360.00
06/30/2025	2,650,000.00	2.250%	414,432.50	3,064,432.50	3,162,625.00	98,192.50
06/30/2026	2,730,000.00	2.450%	351,177.50	3,081,177.50	3,182,875.00	101,697.50
06/30/2027	2,790,000.00	2.550%	282,162.50	3,072,162.50	3,170,250.00	98,087.50
06/30/2028	2,890,000.00	2.650%	208,297.50	3,098,297.50	3,198,750.00	100,452.50
06/30/2029	2,990,000.00	2.750%	128,892.50	3,118,892.50	3,217,125.00	98,232.50
06/30/2030	3,080,000.00	2.850%	43,890.00	3,123,890.00	3,224,812.50	100,922.50
<b>Total</b>	<b>\$31,515,000.00</b>	<b>-</b>	<b>\$6,747,630.02</b>	<b>\$38,262,630.02</b>	<b>\$39,764,937.50</b>	<b>\$1,502,307.48</b>

Net Present Value Benefit	\$1,247,527.90
Net PV Benefit / \$27,500,000 Refunded Principal	4.536%

Dated.....	4/02/2015
First Coupon Date.....	7/01/2015
Weighted Average Maturity.....	9.002 Years
Bond Yield for Arbitrage Purposes.....	2.3629538%
Average Coupon.....	2.3785122%
Bond Year Dollars.....	\$283,691.21
True Interest Cost (TIC).....	2.4572719%

**\$40,000,000**  
**Knoxville Utilities Board**  
**Electric System Revenue Bonds, Series Y-2009**

**Debt Service To Maturity And To Call**

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
07/01/2015	-	615,187.50	615,187.50	-	2.500%	615,187.50	615,187.50
01/01/2016	-	615,187.50	615,187.50	-	-	615,187.50	615,187.50
07/01/2016	-	615,187.50	615,187.50	-	3.000%	615,187.50	615,187.50
01/01/2017	-	615,187.50	615,187.50	-	-	615,187.50	615,187.50
07/01/2017	-	615,187.50	615,187.50	-	3.000%	615,187.50	615,187.50
01/01/2018	-	615,187.50	615,187.50	-	-	615,187.50	615,187.50
07/01/2018	27,500,000.00	615,187.50	28,115,187.50	-	4.000%	615,187.50	615,187.50
01/01/2019	-	-	-	-	-	615,187.50	615,187.50
07/01/2019	-	-	-	1,950,000.00	4.000%	615,187.50	2,565,187.50
01/01/2020	-	-	-	-	-	576,187.50	576,187.50
07/01/2020	-	-	-	2,025,000.00	5.000%	576,187.50	2,601,187.50
01/01/2021	-	-	-	-	-	525,562.50	525,562.50
07/01/2021	-	-	-	2,150,000.00	5.000%	525,562.50	2,675,562.50
01/01/2022	-	-	-	-	-	471,812.50	471,812.50
07/01/2022	-	-	-	2,250,000.00	5.000%	471,812.50	2,721,812.50
01/01/2023	-	-	-	-	-	415,562.50	415,562.50
07/01/2023	-	-	-	2,350,000.00	4.000%	415,562.50	2,765,562.50
01/01/2024	-	-	-	-	-	368,562.50	368,562.50
07/01/2024	-	-	-	2,475,000.00	4.000%	368,562.50	2,843,562.50
01/01/2025	-	-	-	-	-	319,062.50	319,062.50
07/01/2025	-	-	-	2,600,000.00	4.250%	319,062.50	2,919,062.50
01/01/2026	-	-	-	-	-	263,812.50	263,812.50
07/01/2026	-	-	-	2,700,000.00	4.250%	263,812.50	2,963,812.50
01/01/2027	-	-	-	-	-	206,437.50	206,437.50
07/01/2027	-	-	-	2,850,000.00	4.500%	206,437.50	3,056,437.50
01/01/2028	-	-	-	-	-	142,312.50	142,312.50
07/01/2028	-	-	-	3,000,000.00	4.500%	142,312.50	3,142,312.50
01/01/2029	-	-	-	-	-	74,812.50	74,812.50
07/01/2029	-	-	-	3,150,000.00	4.750%	74,812.50	3,224,812.50
<b>Total</b>	<b>\$27,500,000.00</b>	<b>\$4,306,312.50</b>	<b>\$31,806,312.50</b>	<b>\$27,500,000.00</b>	<b>-</b>	<b>\$12,264,937.50</b>	<b>\$39,764,937.50</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation.....	4/02/2015
Average Life.....	9.725 Years
Average Coupon.....	4.4696160%
Weighted Average Maturity (Par Basis).....	9.725 Years

**Refunding Bond Information**

Refunding Dated Date.....	4/02/2015
Refunding Delivery Date.....	4/02/2015

**\$31,515,000**  
**City of Knoxville, Tennessee / Knoxville Utilities Board**  
**Electric System Revenue Refunding Bonds, Series EE-2015**

**Debt Service**

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/02/2015	-	-	-	-	-
07/01/2015	630,000.00	0.400%	166,150.02	796,150.02	-
01/01/2016	-	-	334,773.75	334,773.75	-
06/30/2016	-	-	-	-	1,130,923.77
07/01/2016	460,000.00	0.500%	334,773.75	794,773.75	-
01/01/2017	-	-	333,623.75	333,623.75	-
06/30/2017	-	-	-	-	1,128,397.50
07/01/2017	465,000.00	0.750%	333,623.75	798,623.75	-
01/01/2018	-	-	331,880.00	331,880.00	-
06/30/2018	-	-	-	-	1,130,503.75
07/01/2018	470,000.00	1.000%	331,880.00	801,880.00	-
01/01/2019	-	-	329,530.00	329,530.00	-
06/30/2019	-	-	-	-	1,131,410.00
07/01/2019	2,395,000.00	1.250%	329,530.00	2,724,530.00	-
01/01/2020	-	-	314,561.25	314,561.25	-
06/30/2020	-	-	-	-	3,039,091.25
07/01/2020	2,415,000.00	1.500%	314,561.25	2,729,561.25	-
01/01/2021	-	-	296,448.75	296,448.75	-
06/30/2021	-	-	-	-	3,026,010.00
07/01/2021	2,475,000.00	1.750%	296,448.75	2,771,448.75	-
01/01/2022	-	-	274,792.50	274,792.50	-
06/30/2022	-	-	-	-	3,046,241.25
07/01/2022	2,515,000.00	2.000%	274,792.50	2,789,792.50	-
01/01/2023	-	-	249,642.50	249,642.50	-
06/30/2023	-	-	-	-	3,039,435.00
07/01/2023	2,560,000.00	2.150%	249,642.50	2,809,642.50	-
01/01/2024	-	-	222,122.50	222,122.50	-
06/30/2024	-	-	-	-	3,031,765.00
07/01/2024	2,650,000.00	2.250%	222,122.50	2,872,122.50	-
01/01/2025	-	-	192,310.00	192,310.00	-
06/30/2025	-	-	-	-	3,064,432.50
07/01/2025	2,730,000.00	2.450%	192,310.00	2,922,310.00	-
01/01/2026	-	-	158,867.50	158,867.50	-
06/30/2026	-	-	-	-	3,081,177.50
07/01/2026	2,790,000.00	2.550%	158,867.50	2,948,867.50	-
01/01/2027	-	-	123,295.00	123,295.00	-
06/30/2027	-	-	-	-	3,072,162.50
07/01/2027	2,890,000.00	2.650%	123,295.00	3,013,295.00	-
01/01/2028	-	-	85,002.50	85,002.50	-
06/30/2028	-	-	-	-	3,098,297.50
07/01/2028	2,990,000.00	2.750%	85,002.50	3,075,002.50	-
01/01/2029	-	-	43,890.00	43,890.00	-
06/30/2029	-	-	-	-	3,118,892.50
07/01/2029	3,080,000.00	2.850%	43,890.00	3,123,890.00	-
06/30/2030	-	-	-	-	3,123,890.00
<b>Total</b>	<b>\$31,515,000.00</b>	<b>-</b>	<b>\$6,747,630.02</b>	<b>\$38,262,630.02</b>	<b>-</b>

**Date And Term Structure**

Dated.....	4/02/2015
First Coupon Date.....	7/01/2015
Frequency of Interest Payments.....	2 Per Year
First Serial Maturity Date.....	7/01/2015

**Yield Statistics**

Average Coupon.....	2.3785122%
Weighted Average Maturity.....	9.002 Years
Bond Year Dollars.....	\$283,691.21
Bond Yield for Arbitrage Purposes.....	2.3629538%
True Interest Cost (TIC).....	2.4572719%

Cumberland Securities Company, Inc.  
Tennessee Public Finance - SPG

**\$31,515,000**

**City of Knoxville, Tennessee / Knoxville Utilities Board  
Electric System Revenue Refunding Bonds, Series EE-2015**

**Estimated Sources & Uses**

Dated 04/02/2015 | Delivered 04/02/2015

<b>Estimated Sources Of Funds</b>	
Par Amount of Bonds.....	\$31,515,000.00
<b>Estimated Total Sources.....</b>	<b>\$31,515,000.00</b>
<b>Estimated Uses Of Funds</b>	
Estimated Total Underwriter's Discount (Final Discount determined when bids are calculated*).....	252,930.75
Estimated Costs of Issuance.....	175,000.00
Estimated Deposit to Net Cash Escrow Fund.....	31,087,069.25
<b>Estimated Total Uses.....</b>	<b>\$31,515,000.00</b>

\* Bids are award based on the lowest True Interest Cost (TIC).

True Interest Cost is a method of computing the interest expense to the issuer of bonds, true interest cost is defined as the rate, compounded semi-annually, necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. Purchase price is affected by the amount of underwriter's discount the buyer utilizes.

**\$31,515,000**

City of Knoxville, Tennessee / Knoxville Utilities Board  
Electric System Revenue Refunding Bonds, Series EE-2015

**Estimated Escrow Fund Cashflow**

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
04/02/2015	-	-	-	0.25	-	0.25
07/01/2015	559,512.00	0.010%	55,675.33	615,187.33	615,187.50	0.08
01/01/2016	502,907.00	0.090%	112,280.48	615,187.48	615,187.50	0.06
07/01/2016	503,246.00	0.190%	111,941.64	615,187.64	615,187.50	0.20
01/01/2017	503,724.00	0.330%	111,463.56	615,187.56	615,187.50	0.26
07/01/2017	504,555.00	0.480%	110,632.42	615,187.42	615,187.50	0.18
01/01/2018	505,766.00	0.630%	109,421.49	615,187.49	615,187.50	0.17
07/01/2018	28,007,359.00	0.770%	107,828.33	28,115,187.33	28,115,187.50	-
<b>Total</b>	<b>\$31,087,069.00</b>	<b>-</b>	<b>\$719,243.25</b>	<b>\$31,806,312.50</b>	<b>\$31,806,312.50</b>	<b>-</b>

**Investment Parameters**

Investment Model [PV, GIC, or Securities].....	Securities
Default investment yield target.....	Bond Yield
Cash Deposit.....	0.25
Cost of Investments Purchased with Bond Proceeds.....	31,087,069.00
Total Cost of Investments.....	\$31,087,069.25
Target Cost of Investments at bond yield.....	\$29,614,576.87
Actual positive or (negative) arbitrage.....	(1,472,492.38)
Yield to Receipt.....	0.7531602%
Yield for Arbitrage Purposes.....	2.3629538%
State and Local Government Series (SLGS) rates for.....	1/16/2015

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**\$31,515,000**  
City of Knoxville, Tennessee / Knoxville Utilities Board  
Electric System Revenue Refunding Bonds, Series EE-2015

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**Estimated Detail Costs Of Issuance**

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Dated 04/02/2015 | Delivered 04/02/2015

**ESTIMATED COSTS OF ISSUANCE DETAIL**

Financial Advisor.....	\$65,000.00
Bond Counsel.....	\$47,000.00
Paying Agent Origination.....	\$1,250.00
Rating Agency Fee - Moody's.....	\$25,000.00
Rating Agency Fee - S&P.....	\$25,000.00
POS/Official Statement.....	\$5,755.00
I-Deal.....	\$1,000.00
Miscellaneous.....	\$4,995.00
<b>ESTIMATED TOTAL.....</b>	<b>\$175,000.00</b>

Issuer's No. \_\_\_\_\_  
(To be filled out by State)

**REPORT ON DEBT OBLIGATION**  
**(Pursuant to Chapter 402, Public Acts of 1989)**

**1. Issuer:**

Name Knoxville Utilities Board

Address Attn: President & CEO  
445 Gay Street  
Knoxville, Tennessee 37902

**2. Debt Obligation:**

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

**5. Face Amount of Debt Obligation:** \$40,000,000

**6. Type of Sale:**  a. Competitive Public Sale  
 b. Negotiated  
 c. Loan Program \_\_\_\_\_  
specify

**3. Security for Debt Obligation:**

a. General Obligation  
 b. General Obligation Revenue and Tax  
 c. Revenue  
 d. Annual Appropriations

**7. Tax Status**  
a.  Tax Exempt b.  Taxable

**8. Dated Date:** February 20, 2009

**9. Issue Date (Closing Date):** February 20, 2009

**4. Purpose of Issue**

	Percent 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 type="checkbox"/> i. Airports	_____
<input checked="" type="checkbox"/> j. Utilities	_____
<input type="checkbox"/> i. Water	_____
<input type="checkbox"/> ii. Sewer	_____
<input checked="" type="checkbox"/> iii. Electric	<u>100%</u>
<input type="checkbox"/> iv. Gas	_____
<input type="checkbox"/> k. Refunding or Renewal	_____
<input type="checkbox"/> l. Other _____	_____

specify

**10. Rating:** a. Moody's "Aa3"  
b. Standard & Poor's "AA+"  
c. Unrated \_\_\_\_\_

**11. Interest Cost:**  
4.0321836%

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

**12. Recurring Costs:**

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

SEE REVERSE SIDE

**13. Maturity Dates, Amounts and Interest Rates**

Year	Amount	Interest Rate
2011	\$1,300,000	5.00%
2012	1,350,000	5.00%
2013	1,450,000	2.50%
2014	1,525,000	2.50%
2015	1,600,000	2.50%
2016	1,675,000	3.00%
2017	1,750,000	3.00%
2018	1,850,000	4.00%
2019	1,950,000	4.00%
2020	2,025,000	5.00%

Year	Amount	Interest Rate
2021	\$2,150,000	5.00%
2022	2,250,000	5.00%
2023	2,350,000	4.00%
2024	2,475,000	4.00%
2025	2,600,000	4.25%
2026	2,700,000	4.25%
2027	2,850,000	4.50%
2028	3,000,000	4.50%
2029	3,150,000	4.75%

If additional space is needed, attach additional sheet.

**14. Itemized Description of the Cost of Issuance**

a. Financial Advisor Fees\*

\$50,000

Name of Firm  
Morgan Keegan & Company, Inc.

b. Legal Fees

\$41,750

Bass, Berry & Sims PLC

i. Bond Counsel

ii. Issuer's Counsel

iii. Trustee's Counsel

iv. Verification Fee

c. Paying Agent Fees and  
Registration Fees

\$500

Regions Bank

d. Trustee Fees

e. Remarketing Agent Fees

f. Liquidity Fees

g. Rating Agency Fees

\$46,000

Moody's, Standard & Poor's

h. Credit Enhancement Fees

i. Underwriter's Discount(%)

\$210,594

Wachovia Bank, National Association, Charlotte, North Carolina

i. Take Down

ii. Management Fee

iii. Risk Premium

iv. Underwriter's Counsel

v. Other Expenses

j. Printing and Advertising Fees

\$5,000

Knoxville News-Sentinel, i-deal, Print Shop, CUSIP

k. Issuer Fees

l. Real Estate Fees

\$1,750

structuring, postage, Fed Ex, document production, etc.

m. Other Costs

n. Total Costs

\$355,594

\* If other costs are included, please itemize.

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15

Authorized Representative

Title

February 20, 2009

Date

/s/ Joseph K. Ayres

Preparer

Managing Director

Title

Morgan Keegan & Company, Inc.

Firm

February 20, 2009

Date

SEND TO: Comptroller of the Treasury, Director-Division of Local Finance, Suite 1700, 505 Deaderick Street, James K. Polk State Office Building, Nashville, Tennessee 37243-0274



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

February 2, 2015

Honorable Madeline Rogero, Mayor  
City of Knoxville  
P.O. Box 1631  
Knoxville, TN 37901

Dear Mayor Rogero:

This letter acknowledges receipt on January 29, 2015, from the City of Knoxville (the "City") of a request to review a plan of refunding (the "Plan") for the issuance of a maximum \$12,900,000 Gas System Revenue Refunding Bonds, Series U-2015 (the "Refunding Bonds"), to advance refund an estimated \$11,450,000 Gas System Revenue Bonds, Series N-2007 (the "Refunded Bonds").

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

### **BALLOON INDEBTEDNESS**

The proposed debt to be issued is secured solely by a revenue pledge and the City has some amount of long-term revenue indebtedness outstanding that is rated AA+/Aa1 or better; therefore, the debt falls under this exception to the balloon indebtedness statute.

### **FINANCIAL PROFESSIONALS**

The City has reported Cumberland Securities Company, Inc. as its financial advisor. Financial advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of its financial advisor.

### **CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the refunding is for present value savings.

## **COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY**

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

## **REPORT OF THE REVIEW OF A PLAN OF REFUNDING**

This letter, report, and the Plan are to be posted on the City's website, if there is one. The same report is to be provided to each member of the governing body and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

**The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.**

*This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

## REPORT ON DEBT OBLIGATION

We are enclosing the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to [stateandlocalfinance.publicdebtform@cot.tn.gov](mailto:stateandlocalfinance.publicdebtform@cot.tn.gov). No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. The form can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Ms. Mintha Roach, President and CEO, Knoxville Utilities Board  
Mr. Joseph Ayres, Cumberland Securities Company, Inc.  
Mr. Scott Gibson, Cumberland Securities Company, Inc.  
Mr. Mark Mamantov, Bass Berry & Sims

Enclosures: Report of the Director of the Office of State & Local Finance  
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE  
BY THE CITY OF KNOXVILLE, TENNESSEE OF  
GAS SYSTEM REVENUE REFUNDING BONDS, SERIES U-2015**

City of Knoxville (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of a maximum \$12,900,000 Gas System Revenue Refunding Bonds, Series U-2015 (the "Refunding Bonds"), to advance refund an estimated \$11,450,000 Gas System Revenue Bonds, Series N-2007 (the "Refunded Bonds").

The Plan was prepared with the assistance of the City's municipal advisor, Cumberland Securities Company, Inc. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

**BALLOON INDEBTEDNESS**

The proposed debt to be issued is secured solely by a revenue pledge and the City has some amount of long-term revenue indebtedness outstanding that is rated AA+/Aa1 or better; therefore, the debt falls under this exception to the balloon indebtedness statute.

**CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the refunding is for present value savings.

**REFUNDING ANALYSIS**

- The results of the refunding are based on the assumption that \$12,600,000 Refunding Bonds will be sold by competitive sale and priced at par.
- The estimated net present value savings of the refunding is \$904,290 or 7.90% of the refunded principal amount of \$11,450,000. Gross savings are \$1,095,481.
- The savings are generated by reducing the average coupon of the Refunded Bonds from 4.55% to an average coupon of 2.57% for the Refunding Bonds.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is \$207,559 or \$16.47 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

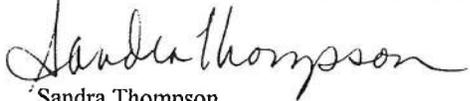
Table 1  
Costs of Issuance of the Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter (Competitive Sale)	\$ 94,559.16	\$ 7.50
Financial Advisor (Cumberland Securities Company)	35,000.00	2.78
Bond Counsel (Bass Berry & Sims)	25,000.00	1.98
Other Costs (includes \$40,000 for rating agency fees)	53,000.00	4.21
<b>Total Cost of Issuance</b>	<b>\$ 207,559.16</b>	<b>\$ 16.47</b>

The City has identified Cumberland Securities Company, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

A handwritten signature in cursive script that reads "Sandra Thompson".

Sandra Thompson  
Director of the Office of State and Local Finance  
Date: February 2, 2015



Knoxville Utilities Board

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January 28, 2015

Ms. Sandra Thompson  
Director of Office of State and Local Finance  
Suite 1600, James K. Polk Building  
505 Deaderick Street  
Nashville, TN. 37243-1402

Re: Knoxville Utilities Board / City of Knoxville, Tennessee

Dear Ms. Thompson:

The Knoxville Utilities Board (the "Board") of the City of Knoxville, Tennessee (the "City") is pleased to enclose for your consideration a report entitled "Plan of Refunding" dated January 20, 2015. This report is being delivered to you to comply with Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

**Entity Information:**

(A) Knoxville Utilities Board, governed by Board of Commissioners, on behalf of the City of Knoxville, Tennessee, governed by the City Council, pursuant to the City's Charter, the Board has full legal authority and control all aspects of the issuance of the proposed refunding debt.

(B) Madeline Rogero, Mayor  
P.O. Box 1631 Knoxville, TN 37901

Mintha Roach, KUB CEO  
445 South Gay Street Knoxville, TN 37902  
Mark Walker, KUB CFO (865) 594-7418  
445 South Gay Street Knoxville, TN 37902  
E-Mail address: [mintha.roach@kub.org](mailto:mintha.roach@kub.org) and [mark.walker@kub.org](mailto:mark.walker@kub.org)

(C) Contacts for additional information:  
Financial Advisor: Cumberland Securities Company, Inc. (865-988-2663)  
Joe Ayres: [joe.ayres@cumberlandsecurities.com](mailto:joe.ayres@cumberlandsecurities.com) and  
Scott P. Gibson: [scott.gibson@cumberlandsecurities.com](mailto:scott.gibson@cumberlandsecurities.com)

**Timing Information:**

(A) March 3, 2015 regularly scheduled City Council Meeting

**Specific Request for:**

- (A) The Board on behalf of the City hereby requests a Report from the Office of State and Local Finance on the enclosed Plan of Refunding pursuant to Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

The City is proposing to refinance the following outstanding obligations: Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 in the principal amount of \$11,450,000 (the "Series N-2007 Bonds").

The enclosed Plan of Refunding outlines the projected structure based upon current market conditions. To maximize flexibility the City's bond resolution will be drafted to authorize the refunding of all or any portion of the above referenced debt. Therefore, the final structure and sizing could vary from the enclosed request based on the final structure of the proposed Bonds.

The City Council is scheduled to meet on Tuesday, March 3, 2015 to discuss the Plan of Refunding and other documents related to this refinancing plan.

If you have any questions or need any additional information with respect to this financing, please do not hesitate to contact me or our Financial Advisor, Mr. Joe Ayres or Mr. Scott P. Gibson at Cumberland Securities Company, Inc. (865-988-2663) at your earliest convenience.

Very truly yours,



Mintha Roach  
President and CEO

cc: Mayor Madeline Rogero  
Mr. Joe Ayres  
Mr. Mark Mamantov

Enclosure

## Plan of Refunding

### Knoxville Utilities Board / City of Knoxville, Tennessee

#### Gas System

**A) Identification of Key Professionals (including financial advisors, bond counsel, underwriters, or lenders) who have provided advice or proposals on which the Entity relied to prepare the Plan):**

1. Underwriter: Determined at Competitive Public Sale
2. Bond Counsel: Bass, Berry & Sims
3. Financial Advisor: Cumberland Securities Company, Inc.

**B) Purpose(s) of Refunding, including parameters:**

1. **Cost Savings: Include a projection of the savings and amortization schedules for both refunding and refunded debt:**
  - a. See attached Preliminary Refunding Analysis page 2.
2. **Restructuring: provide a comparison of existing and proposed structures, describing why debt is being restructured:**
  - a. N/A
3. **Covenant change: Clearly describe covenant to be eliminated or revised and any change in the structure:**
  - a. N/A
4. **Reduction or elimination of risk: describe risk to be reduced or eliminated:**
  - a. The proposed refunded bonds are fixed rate and will be refunded with fixed rate bonds, therefore, there will be no change in risk.

**C) Statement that the proposed refunding complies with the Entity's adopted debt management policy and a description of how the transaction is consistent with the policy, including any savings threshold. If there is no adopted policy or the transaction is not consistent, the Entity shall provide a detailed explanation.**

1. KUB adopted a debt management policy on November 17, 2011 and amended the policy on September 20, 2012. The proposed structure does have savings in excess of 3% and does not extend debt past the original life of the issue which is consistent with the KUB debt management policy. Additionally, the proposed debt is traditional fixed rate debt and is the preferred form of debt under KUB's debt management policy.

**D) Other Information**

1. **Amortization schedules for both (proposed) refunding and (outstanding) debt to be refunded,**
  - a. Proposed refunding debt schedule: See attached Preliminary Refunding Analysis pages 3 and 4.
  - b. Outstanding debt schedule(s): See attached Preliminary Refunding Analysis page 2.

As well as the following:

2. **Refunding Debt:**
  - a. **Maximum size to be authorized by the governing body, identifying all outstanding debt that could be included in the refunding:**
    - i. Maximum size authorized by governing body = \$12,900,000. To refund the Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 in the principal amount of \$11,450,000 (the "Series N-2007 Bonds").
  - b. Anticipated Size = \$12,600,000
  - c. **Anticipated final maturity and weighted average maturity. If the final maturity is extended beyond the fiscal year of final maturity of debt to be refunded or the weighted average maturity is increased, list the projects as required below for refunded debt:**
    - i. Final Maturity = 3/1/2031 expected (Same as refunded Debt)
    - ii. Weighted Average Maturity = 9.607 Years (Less Than Refunded Debt)
  - d. **Estimated Breakdown of Costs of Issuance:** See attached Preliminary Refunding Analysis page 7.
  - e. **Estimated Sources and Uses of Funds:** See attached Preliminary Refunding Analysis page 5.
3. **Refunded Debt: Information must be provided with respect to *each debt issue to be refunded*; (If all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).**
  - a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
    - i. Gas System Revenue Bonds, Series N-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2031 in the principal amount of \$11,450,000 (the "Series N-2007 Bonds"). The Series N-2007 Bonds are tax-exempt, fixed-rate debt, with a final maturity on March 1, 2031.
  - b. **Date of issue and copy of CT-0253 filed.**
    - i. Date of Issue = November 1, 2007. The CT-0253 was filed with the Office of State and Local Finance in connection with the issue of the Series N-2007 Bonds.
  - c. **Date of authorization by the governing body.**
    - i. The Series N-2007 Bonds were authorized by the City's governing body on August 28, 2007.
  - d. **Whether bank-qualified or under other small issuer exception.**
    - i. No
  - e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
    - i. The purpose of the Series N-2007 Bonds was to provide funds to pay the costs of the construction, renovation, extension and improvements to the Gas System; and to pay costs incident to the issuance and sale of the Series N-2007

Bonds. The average life of the proposed refunding bonds will not be longer than the average remaining life of the assets financed.

**f. Derivative product, if any, and copy of Report of Compliance:**

1.) There is no derivative agreement associated with the Series N-2007 Bonds.

**Knoxville Utilities Board**  
of the  
**City of Knoxville, Tennessee**

**Preliminary  
Refunding Analysis  
Gas System**

As of January 20, 2015

Prepared By:

**Cumberland Securities Company, Inc.**

Independent Financial Advisors  
813 S. Northshore Drive, Suite 201A  
Knoxville, Tennessee 37919  
Telephone: (865) 988-2663  
Facsimile: (865) 988-1863



**CUMBERLAND SECURITIES**

**Knoxville Utilities Board  
Preliminary Refunding Analysis  
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**\$12,600,000**  
**City of Knoxville, Tennessee / Knoxville Utilities Board**  
**Gas System Revenue Refunding Bonds, Series U-2015**

**Estimated Savings Analysis**

Date	Principal	Coupon	Interest	Total P+I	Refunded D/S	Estimated Savings
06/30/2015	-	-	-	-	-	-
06/30/2016	185,000.00	0.500%	261,475.03	446,475.03	514,206.26	67,731.23
06/30/2017	160,000.00	0.750%	285,187.50	445,187.50	514,206.26	69,018.76
06/30/2018	735,000.00	1.000%	283,987.50	1,018,987.50	1,089,206.26	70,218.76
06/30/2019	770,000.00	1.250%	276,637.50	1,046,637.50	1,116,206.26	69,568.76
06/30/2020	780,000.00	1.500%	267,012.50	1,047,012.50	1,115,425.00	68,412.50
06/30/2021	790,000.00	1.750%	255,312.50	1,045,312.50	1,112,800.00	67,487.50
06/30/2022	800,000.00	2.000%	241,487.50	1,041,487.50	1,108,268.76	66,781.26
06/30/2023	835,000.00	2.150%	225,487.50	1,060,487.50	1,127,468.76	66,981.26
06/30/2024	840,000.00	2.250%	207,535.00	1,047,535.00	1,118,718.76	71,183.76
06/30/2025	875,000.00	2.450%	188,635.00	1,063,635.00	1,133,843.76	70,208.76
06/30/2026	910,000.00	2.550%	167,197.50	1,077,197.50	1,146,718.76	69,521.26
06/30/2027	920,000.00	2.650%	143,992.50	1,063,992.50	1,131,250.00	67,257.50
06/30/2028	1,000,000.00	2.750%	119,612.50	1,119,612.50	1,189,625.00	70,012.50
06/30/2029	985,000.00	2.850%	92,112.50	1,077,112.50	1,143,375.00	66,262.50
06/30/2030	965,000.00	3.100%	64,040.00	1,029,040.00	1,097,125.00	68,085.00
06/30/2031	1,050,000.00	3.250%	34,125.00	1,084,125.00	1,150,875.00	66,750.00
<b>Total</b>	<b>\$12,600,000.00</b>	<b>-</b>	<b>\$3,113,837.53</b>	<b>\$15,713,837.53</b>	<b>\$16,809,318.84</b>	<b>\$1,095,481.31</b>

Net Present Value Benefit	\$904,290.38
Net PV Benefit / \$11,450,000 Refunded Principal	7.898%

Dated	4/02/2015
First Coupon Date	9/01/2015
Weighted Average Maturity	9.607 Years
Bond Yield for Arbitrage Purposes	2.5482612%
Average Coupon	2.5723565%
Bond Year Dollars	\$121,050.00
True Interest Cost (TIC)	2.6382711%

**\$12,000,000**  
**Knoxville Utilities Board**  
**Gas System Revenue Bonds, Series N-2007**

**Debt Service To Maturity And To Call**

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
09/01/2015	-	257,103.13	257,103.13	-	-	257,103.13	257,103.13
03/01/2016	-	257,103.13	257,103.13	-	-	257,103.13	257,103.13
09/01/2016	-	257,103.13	257,103.13	-	-	257,103.13	257,103.13
03/01/2017	11,450,000.00	257,103.13	11,707,103.13	-	5.000%	257,103.13	257,103.13
09/01/2017	-	-	-	-	-	257,103.13	257,103.13
03/01/2018	-	-	-	575,000.00	4.000%	257,103.13	832,103.13
09/01/2018	-	-	-	-	-	245,603.13	245,603.13
03/01/2019	-	-	-	625,000.00	4.125%	245,603.13	870,603.13
09/01/2019	-	-	-	-	-	232,712.50	232,712.50
03/01/2020	-	-	-	650,000.00	4.250%	232,712.50	882,712.50
09/01/2020	-	-	-	-	-	218,900.00	218,900.00
03/01/2021	-	-	-	675,000.00	4.375%	218,900.00	893,900.00
09/01/2021	-	-	-	-	-	204,134.38	204,134.38
03/01/2022	-	-	-	700,000.00	4.400%	204,134.38	904,134.38
09/01/2022	-	-	-	-	-	188,734.38	188,734.38
03/01/2023	-	-	-	750,000.00	4.500%	188,734.38	938,734.38
09/01/2023	-	-	-	-	-	171,859.38	171,859.38
03/01/2024	-	-	-	775,000.00	4.500%	171,859.38	946,859.38
09/01/2024	-	-	-	-	-	154,421.88	154,421.88
03/01/2025	-	-	-	825,000.00	4.500%	154,421.88	979,421.88
09/01/2025	-	-	-	-	-	135,859.38	135,859.38
03/01/2026	-	-	-	875,000.00	4.625%	135,859.38	1,010,859.38
09/01/2026	-	-	-	-	-	115,625.00	115,625.00
03/01/2027	-	-	-	900,000.00	4.625%	115,625.00	1,015,625.00
09/01/2027	-	-	-	-	-	94,812.50	94,812.50
03/01/2028	-	-	-	1,000,000.00	4.625%	94,812.50	1,094,812.50
09/01/2028	-	-	-	-	-	71,687.50	71,687.50
03/01/2029	-	-	-	1,000,000.00	4.625%	71,687.50	1,071,687.50
09/01/2029	-	-	-	-	-	48,562.50	48,562.50
03/01/2030	-	-	-	1,000,000.00	4.625%	48,562.50	1,048,562.50
09/01/2030	-	-	-	-	-	25,437.50	25,437.50
03/01/2031	-	-	-	1,100,000.00	4.625%	25,437.50	1,125,437.50
<b>Total</b>	<b>\$11,450,000.00</b>	<b>\$1,028,412.52</b>	<b>\$12,478,412.52</b>	<b>\$11,450,000.00</b>	<b>-</b>	<b>\$5,359,318.84</b>	<b>\$16,809,318.84</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation.....	4/02/2015
Average Life.....	10.191 Years
Average Coupon.....	4.5548755%
Weighted Average Maturity (Par Basis).....	10.191 Years

**Refunding Bond Information**

Refunding Dated Date.....	4/02/2015
Refunding Delivery Date.....	4/02/2015

**\$12,600,000**  
**City of Knoxville, Tennessee / Knoxville Utilities Board**  
**Gas System Revenue Refunding Bonds, Series U-2015**

**Estimated Debt Service**

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/02/2015	-	-	-	-	-
09/01/2015	-	-	118,418.78	118,418.78	-
03/01/2016	185,000.00	0.500%	143,056.25	328,056.25	-
06/30/2016	-	-	-	-	446,475.03
09/01/2016	-	-	142,593.75	142,593.75	-
03/01/2017	160,000.00	0.750%	142,593.75	302,593.75	-
06/30/2017	-	-	-	-	445,187.50
09/01/2017	-	-	141,993.75	141,993.75	-
03/01/2018	735,000.00	1.000%	141,993.75	876,993.75	-
06/30/2018	-	-	-	-	1,018,987.50
09/01/2018	-	-	138,318.75	138,318.75	-
03/01/2019	770,000.00	1.250%	138,318.75	908,318.75	-
06/30/2019	-	-	-	-	1,046,637.50
09/01/2019	-	-	133,506.25	133,506.25	-
03/01/2020	780,000.00	1.500%	133,506.25	913,506.25	-
06/30/2020	-	-	-	-	1,047,012.50
09/01/2020	-	-	127,656.25	127,656.25	-
03/01/2021	790,000.00	1.750%	127,656.25	917,656.25	-
06/30/2021	-	-	-	-	1,045,312.50
09/01/2021	-	-	120,743.75	120,743.75	-
03/01/2022	800,000.00	2.000%	120,743.75	920,743.75	-
06/30/2022	-	-	-	-	1,041,487.50
09/01/2022	-	-	112,743.75	112,743.75	-
03/01/2023	835,000.00	2.150%	112,743.75	947,743.75	-
06/30/2023	-	-	-	-	1,060,487.50
09/01/2023	-	-	103,767.50	103,767.50	-
03/01/2024	840,000.00	2.250%	103,767.50	943,767.50	-
06/30/2024	-	-	-	-	1,047,535.00
09/01/2024	-	-	94,317.50	94,317.50	-
03/01/2025	875,000.00	2.450%	94,317.50	969,317.50	-
06/30/2025	-	-	-	-	1,063,635.00
09/01/2025	-	-	83,598.75	83,598.75	-
03/01/2026	910,000.00	2.550%	83,598.75	993,598.75	-
06/30/2026	-	-	-	-	1,077,197.50
09/01/2026	-	-	71,996.25	71,996.25	-
03/01/2027	920,000.00	2.650%	71,996.25	991,996.25	-
06/30/2027	-	-	-	-	1,063,992.50
09/01/2027	-	-	59,806.25	59,806.25	-
03/01/2028	1,000,000.00	2.750%	59,806.25	1,059,806.25	-
06/30/2028	-	-	-	-	1,119,612.50
09/01/2028	-	-	46,056.25	46,056.25	-
03/01/2029	985,000.00	2.850%	46,056.25	1,031,056.25	-
06/30/2029	-	-	-	-	1,077,112.50
09/01/2029	-	-	32,020.00	32,020.00	-
03/01/2030	965,000.00	3.100%	32,020.00	997,020.00	-
06/30/2030	-	-	-	-	1,029,040.00

**\$12,600,000**  
**City of Knoxville, Tennessee / Knoxville Utilities Board**  
**Gas System Revenue Refunding Bonds, Series U-2015**

**Estimated Debt Service**

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/01/2030	-	-	17,062.50	17,062.50	-
03/01/2031	1,050,000.00	3.250%	17,062.50	1,067,062.50	-
06/30/2031	-	-	-	-	1,084,125.00
<b>Total</b>	<b>\$12,600,000.00</b>	<b>-</b>	<b>\$3,113,837.53</b>	<b>\$15,713,837.53</b>	<b>-</b>

**Date And Term Structure**

Dated.....	4/02/2015
First Coupon Date.....	9/01/2015
Frequency of Interest Payments.....	2 Per Year
First Serial Maturity Date.....	3/01/2016

**Yield Statistics**

Average Coupon.....	2.5723565%
Weighted Average Maturity.....	9.607 Years
Bond Year Dollars.....	\$121,050.00
Bond Yield for Arbitrage Purposes.....	2.5482612%
True Interest Cost (TIC).....	2.6382711%

**\$12,600,000**

**City of Knoxville, Tennessee / Knoxville Utilities Board  
Gas System Revenue Refunding Bonds, Series U-2015**

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**Estimated Sources & Uses**

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Dated 04/02/2015 | Delivered 04/02/2015

<b>Estimated Sources Of Funds</b>	
Par Amount of Bonds.....	\$12,600,000.00
<b>Estimated Total Sources.....</b>	<b>\$12,600,000.00</b>
<b>Estimated Uses Of Funds</b>	
Estimated Total Underwriter's Discount (Final Discount determined when bids are calculated*).....	94,559.16
Estimated Costs of Issuance.....	113,000.00
Estimated Deposit to Net Cash Escrow Fund.....	12,392,440.84
<b>Estimated Total Uses.....</b>	<b>\$12,600,000.00</b>

\* Bids are award based on the lowest True Interest Cost (TIC).

True Interest Cost is a method of computing the interest expense to the issuer of bonds, true interest cost is defined as the rate, compounded semi-annually, necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. Purchase price is affected by the amount of underwriter's discount the buyer utilizes.

**\$12,600,000**  
City of Knoxville, Tennessee / Knoxville Utilities Board  
Gas System Revenue Refunding Bonds, Series U-2015

**Estimated Escrow Fund Cashflow**

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
04/02/2015	-	-	-	0.84	-	0.84
09/01/2015	238,510.00	0.030%	18,592.82	257,102.82	257,103.13	0.53
03/01/2016	234,397.00	0.110%	22,706.42	257,103.42	257,103.13	0.82
09/01/2016	234,632.00	0.230%	22,471.13	257,103.13	257,103.13	0.82
03/01/2017	11,684,901.00	0.380%	22,201.31	11,707,102.31	11,707,103.13	-
<b>Total</b>	<b>\$12,392,440.00</b>	<b>-</b>	<b>\$85,971.68</b>	<b>\$12,478,412.52</b>	<b>\$12,478,412.52</b>	<b>-</b>

**Investment Parameters**

Investment Model [PV, GIC, or Securities].....	Securities
Default investment yield target.....	Bond Yield
Cash Deposit.....	0.84
Cost of Investments Purchased with Bond Proceeds.....	12,392,440.00
Total Cost of Investments.....	\$12,392,440.84
Target Cost of Investments at bond yield.....	\$11,906,978.22
Actual positive or (negative) arbitrage.....	(485,462.62)
Yield to Receipt.....	0.3736566%
Yield for Arbitrage Purposes.....	2.5482612%
State and Local Government Series (SLGS) rates for.....	1/16/2015

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**\$12,600,000**  
City of Knoxville, Tennessee / Knoxville Utilities Board  
Gas System Revenue Refunding Bonds, Series U-2015

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**Estimated Detail Costs Of Issuance**

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Dated 04/02/2015 | Delivered 04/02/2015

**ESTIMATED COSTS OF ISSUANCE DETAIL**

Financial Advisor.....	\$35,000.00
Bond Counsel.....	\$25,000.00
Paying Agent Origination.....	\$1,250.00
Rating Agency Fee - Moody's.....	\$20,000.00
Rating Agency Fee - S&P.....	\$20,000.00
POS/Official Statement.....	\$5,750.00
I-Deal.....	\$1,000.00
Miscellaneous.....	\$5,000.00
<b>ESTIMATED TOTAL.....</b>	<b>\$113,000.00</b>

Issuer's No. \_\_\_\_\_  
(To be filled out by State)

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Chapter 402, Public Acts of 1989)

**1. Issuer:**

Name Knoxville Utilities Board

Address Attn: President & CEO  
445 Gay Street  
Knoxville, Tennessee 37902

**2. Debt Obligation:**

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

**5. Face Amount of Debt Obligation:** \$12,000,000

**6. Type of Sale:**  a. Competitive Public Sale  
 b. Negotiated  
 c. Loan Program \_\_\_\_\_  
specify

**3. Security for Debt Obligation:**

a. General Obligation  
 b. General Obligation Revenue and Tax  
 c. Revenue  
 d. Annual Appropriations

**7. Tax Status**  
a.  Tax Exempt b.  Taxable

**8. Dated Date:** November 1, 2007

**9. Issue Date (Closing Date):** November 1, 2007

**4. Purpose of Issue** **Percent 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 type="checkbox"/> i. Airports	_____
<input checked="" type="checkbox"/> j. Utilities	_____
<input type="checkbox"/> i. Water	_____
<input type="checkbox"/> ii. Sewer	_____
<input type="checkbox"/> iii. Electric	_____
<input checked="" type="checkbox"/> iv. Gas	<u>100%</u>
<input type="checkbox"/> k. Refunding or Renewal	_____
<input type="checkbox"/> l. Other _____	_____

specify

**10. Rating:** a. Moody's "Aaa" (FSA)  
b. Standard & Poor's "AAA" (FSA)  
c. Unrated \_\_\_\_\_

**11. Interest Cost:**  
4.5284736%

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

**12. Recurring Costs:**

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

**13. Maturity Dates, Amounts and Interest Rates**

Year	Amount	Interest Rate
2017	\$550,000	5.00%
2018	575,000	4.00%
2019	625,000	4.125%
2020	650,000	4.25%
2021	675,000	4.375%
2022	700,000	4.40%
2023	750,000	4.50%
2024	775,000	4.50%
2025	825,000	4.50%
2026	875,000	4.625%
2027	900,000	4.625%

Year	Amount	Interest Rate
2028	\$1,000,000	4.625%
2029	1,000,000	4.625%
2030	1,000,000	4.625%
2031	1,100,000	4.625%

If additional space is needed, attach additional sheet.

**14. Itemized Description of the Cost of Issuance**

		Name of Firm
a. Financial Advisor Fees*	\$23,750	Morgan Keegan & Company, Inc.
b. Legal Fees		
i. Bond Counsel	\$15,000	Bass, Berry & Sims PLC
ii. Issuer's Counsel		
iii. Trustee's Counsel		
iv. Verification Fee		
c. Paying Agent Fees and Registration Fees	\$250	Regions Bank
d. Trustee Fees		
e. Remarketing Agent Fees		
f. Liquidity Fees		
g. Rating Agency Fees	\$16,100	Moody's, Standard & Poor's
h. Credit Enhancement Fees	\$46,500	Financial Security Assurance Inc. (paid by Underwriter)
i. Underwriter's Discount(%)	\$17,645	Prager, Sealy & Co. LLC
i. Take Down		
ii. Management Fee		
iii. Risk Premium		
iv. Underwriter's Counsel		
v. Other Expenses		
j. Printing and Advertising Fees	\$6,000	Knoxville News-Sentinel, Bond Buyer, Print Shop, CUSIP
k. Issuer Fees		
l. Real Estate Fees		
m. Other Costs	\$1,500	structuring, postage, Fed Ex, document production, etc.
n. Total Costs	\$126,745	

\*If other costs are included, please itemize.

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15

Michelle Roach  
Authorized Representative

President & CEO  
Title

November 1, 2007  
Date

/s/ Joseph K. Ayres

Preparer  
Managing Director

Title  
Morgan Keegan & Company, Inc.

Firm  
November 1, 2007

Date

SEND TO: Comptroller of the Treasury, Director-Division of Local Finance, Suite 1700, 505 Deaderick Street, James K. Polk State Office Building, Nashville, Tennessee 37243-0274



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

February 2, 2015

Honorable Madeline Rogero, Mayor  
City of Knoxville  
P.O. Box 1631  
Knoxville, TN 37901

Dear Mayor Rogero:

This letter acknowledges receipt on January 29, 2015, from the City of Knoxville (the "City") of a request to review a plan of refunding (the "Plan") for the issuance of a maximum \$140,000,000 Wastewater System Revenue Refunding Bonds, Series 2015A (the "Refunding Bonds"), to advance refund an estimated:

- \$36,550,000 Wastewater System Revenue Improvement Bonds, Series 2005A;
- \$75,000,000 Wastewater System Revenue Bonds, Series 2007; and
- \$15,675,000 Wastewater System Revenue Bonds, Series 2008.

Collectively these are the "Refunded Bonds." The total amount of refunded principal is \$127,225,000.

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

#### **BALLOON INDEBTEDNESS**

The proposed debt to be issued is secured solely by a revenue pledge and the City has some amount of long-term revenue indebtedness outstanding that is rated AA+/Aa1 or better; therefore, the debt falls under this exception to the balloon indebtedness statute.

#### **FINANCIAL PROFESSIONALS**

The City has reported Cumberland Securities Company, Inc. as its financial advisor. Financial advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of its financial advisor.

## **CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the refunding is for present value savings.

## **COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY**

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

## **REPORT OF THE REVIEW OF A PLAN OF REFUNDING**

This letter, report, and the Plan are to be posted on the City's website, if there is one. The same report is to be provided to each member of the governing body and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

**The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.**

*This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%)*

*in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

## **REPORT ON DEBT OBLIGATION**

We are enclosing the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to [stateandlocalfinance.publicdebtform@cot.tn.gov](mailto:stateandlocalfinance.publicdebtform@cot.tn.gov). No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. The form can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Ms. Mintha Roach, President and CEO, Knoxville Utilities Board  
Mr. Joseph Ayres, Cumberland Securities Company, Inc.  
Mr. Scott Gibson, Cumberland Securities Company, Inc.  
Mr. Mark Mamantov, Bass Berry & Sims

Enclosures: Report of the Director of the Office of State & Local Finance  
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE  
BY THE CITY OF KNOXVILLE, TENNESSEE OF  
WASTEWATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2015A**

City of Knoxville (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of a maximum \$140,000,000 Wastewater System Revenue Refunding Bonds, Series 2015A (the "Refunding Bonds"), to advance refund an estimated:

- \$36,550,000 Wastewater System Revenue Improvement Bonds, Series 2005A;
- \$75,000,000 Wastewater System Revenue Bonds, Series 2007; and
- \$15,675,000 Wastewater System Revenue Bonds, Series 2008.

Collectively these are the "Refunded Bonds." The total amount of refunded principal is \$127,225,000.

The Plan was prepared with the assistance of the City's municipal advisor, Cumberland Securities Company, Inc. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

**BALLOON INDEBTEDNESS**

The proposed debt to be issued is secured solely by a revenue pledge and the City has some amount of long-term revenue indebtedness outstanding that is rated AA+/Aa1 or better; therefore, the debt falls under this exception to the balloon indebtedness statute.

**CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the refunding is for present value savings.

**REFUNDING ANALYSIS**

- The results of the refunding are based on the assumption that \$137,185,000 Refunding Bonds will be sold by competitive sale and priced at par.
- The estimated net present value savings of the refunding is \$7,273,839 or 5.72% of the refunded principal amount of \$127,225,000. Gross savings are \$10,709,697.
- The savings are generated by reducing the aggregate average coupon of the Refunded Bonds from 4.48% to an average coupon of 3.51 % for the Refunding Bonds.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is \$1,521,975 or \$11.09 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

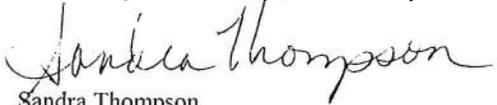
Table 1  
Costs of Issuance of the Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter (Competitive Sale)	\$ 1,083,975.04	\$ 7.90
Financial Advisor (Cumberland Securities Company)	150,000.00	1.09
Bond Counsel (Bass Berry & Sims)	125,000.00	0.91
Other Costs (includes \$150,000 for rating agency fees)	163,000.00	1.19
<b>Total Cost of Issuance</b>	<b>\$ 1,521,975.04</b>	<b>\$ 11.09</b>

The City has identified Cumberland Securities Company, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

A handwritten signature in cursive script that reads "Sandra Thompson".

Sandra Thompson  
Director of the Office of State and Local Finance  
Date: February 2, 2015



Knoxville Utilities Board

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January 28, 2015

Ms. Sandra Thompson  
Director of Office of State and Local Finance  
Suite 1600, James K. Polk Building  
505 Deaderick Street  
Nashville, TN. 37243-1402

Re: Knoxville Utilities Board / City of Knoxville, Tennessee

Dear Ms. Thompson:

The Knoxville Utilities Board (the "Board") of the City of Knoxville, Tennessee (the "City") is pleased to enclose for your consideration a report entitled "Plan of Refunding" dated January 20, 2015. This report is being delivered to you to comply with Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

**Entity Information:**

(A) Knoxville Utilities Board, governed by Board of Commissioners, on behalf of the City of Knoxville, Tennessee, governed by the City Council, pursuant to the City's Charter, the Board has full legal authority and control all aspects of the issuance of the proposed refunding debt.

(B) Madeline Rogero, Mayor  
P.O. Box 1631 Knoxville, TN 37901

Mintha Roach, KUB CEO  
445 South Gay Street Knoxville, TN 37902  
Mark Walker, KUB CFO (865) 594-7418  
445 South Gay Street Knoxville, TN 37902  
E-Mail address: [mintha.roach@kub.org](mailto:mintha.roach@kub.org) and [mark.walker@kub.org](mailto:mark.walker@kub.org)

(C) Contacts for additional information:  
Financial Advisor: Cumberland Securities Company, Inc. (865-988-2663)  
Joe Ayres: [joe.ayres@cumberlandsecurities.com](mailto:joe.ayres@cumberlandsecurities.com) and  
Scott P. Gibson: [scott.gibson@cumberlandsecurities.com](mailto:scott.gibson@cumberlandsecurities.com)

**Timing Information:**

(A) March 3, 2015 regularly scheduled City Council Meeting

**Specific Request for:**

- (A) The Board on behalf of the City hereby requests a Report from the Office of State and Local Finance on the enclosed Plan of Refunding pursuant to Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

The City is proposing to refinance the following outstanding obligations:

1. Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040 in the principal amount of \$36,550,000 (the "Series 2005A Bonds"),
2. Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 in the principal amount of \$75,000,000 (the "Series 2007 Bonds"),
3. Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 in the principal amount of \$15,675,000 (the "Series 2008 Bonds", collectively with the Series 2005A Bonds and the Series 2007 Bonds, the "Outstanding Bonds")

The enclosed Plan of Refunding outlines the projected structure based upon current market conditions. To maximize flexibility the City's bond resolution will be drafted to authorize the refunding of all or any portion of the above referenced debt. Therefore, the final structure and sizing could vary from the enclosed request based on the final structure of the proposed Bonds.

The City Council is scheduled to meet on Tuesday, March 3, 2015 to discuss the Plan of Refunding and other documents related to this refinancing plan.

If you have any questions or need any additional information with respect to this financing, please do not hesitate to contact me or our Financial Advisor, Mr. Joe Ayres or Mr. Scott P. Gibson at Cumberland Securities Company, Inc. (865-988-2663) at your earliest convenience.

Very truly yours,



**Mintha Roach**  
President and CEO

cc: Mayor Madeline Rogero  
Mr. Joe Ayres  
Mr. Mark Mamantov

Enclosure

## **Plan of Refunding - Wastewater System**

### **Knoxville Utilities Board / City of Knoxville, Tennessee**

**A) Identification of Key Professionals (Including financial advisors, bond counsel, underwriters, or lenders) who have provided advice or proposals on which the Entity relied to prepare the Plan):**

1. Underwriter: Determined at Competitive Public Sale
2. Bond Counsel: Bass, Berry & Sims
3. Financial Advisor: Cumberland Securities Company, Inc.

**B) Purpose(s) of Refunding, including parameters:**

1. **Cost Savings: Include a projection of the savings and amortization schedules for both refunding and refunded debt:**
  - a. See attached Preliminary Refunding Analysis page 1.
2. **Restructuring: provide a comparison of existing and proposed structures, describing why debt is being restructured:**
  - a. N/A
3. **Covenant change: Clearly describe covenant to be eliminated or revised and any change in the structure:**
  - a. N/A
4. **Reduction or elimination of risk: describe risk to be reduced or eliminated:**
  - a. The proposed refunded bonds are fixed rate and will be refunded with fixed rate bonds, therefore, there will be no change in risk.

**C) Statement that the proposed refunding complies with the Entity's adopted debt management policy and a description of how the transaction is consistent with the policy, including any savings threshold. If there is no adopted policy or the transaction is not consistent, the Entity shall provide a detailed explanation.**

1. KUB adopted a debt management policy on November 17, 2011 and amended the policy on September 20, 2012. The proposed structure does have savings in excess of 3% and does not extend debt past the original life of the issue which is consistent with the KUB debt management policy. Additionally, the proposed debt is traditional fixed rate debt and is the preferred form of debt under KUB's debt management policy.

**D) Other Information**

1. **Amortization schedules for both (proposed) refunding and (outstanding) debt to be refunded,**
  - a. Proposed refunding debt schedule: See attached Preliminary Refunding Analysis page 2 and 3.
  - b. Outstanding debt schedule(s): See attached Preliminary Refunding Analysis pages 7 through 10.

**As well as the following:**

2. **Refunding Debt:**

- a. **Maximum size to be authorized by the governing body, identifying all outstanding debt that could be included in the refunding:**
    - i. Maximum size authorized by governing body = \$140,000,000. To refund the:
      - 1.) Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040 in the principal amount of \$36,550,000 (the "Series 2005A Bonds"),
      - 2.) Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 in the principal amount of \$75,000,000 (the "Series 2007 Bonds"),
      - 3.) Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 in the principal amount of \$15,675,000 (the "Series 2008 Bonds", collectively with the Series 2005A Bonds and the Series 2007 Bonds, the "Outstanding Bonds")
  
  - b. Anticipated Size = \$137,185,000
  - c. **Anticipated final maturity and weighted average maturity. If the final maturity is extended beyond the fiscal year of final maturity of debt to be refunded or the weighted average maturity is increased, list the projects as required below for refunded debt:**
    - i. Final Maturity = 4/1/2042 expected (Same as refunded Debt)
    - ii. Weighted Average Maturity = 17.763 Years (Less Than Refunded Debt)
  
  - d. **Estimated Breakdown of Costs of Issuance:** See attached Preliminary Refunding Analysis page 6.
  - e. **Estimated Sources and Uses of Funds:** See attached Preliminary Refunding Analysis page 4.
3. **Refunded Debt: Information must be provided with respect to each debt issue to be refunded; (if all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).**
- a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
    - i. Wastewater System Revenue Improvement Bonds, Series 2005A, dated August 10, 2005, maturing April 1, 2038 through April 1, 2040 in the principal amount of \$36,550,000 (the "Series 2005A Bonds"). The Series 2005A Bonds are tax-exempt, fixed-rate debt, with a final maturity on April 1, 2040.
  - b. **Date of issue and copy of CT-0253 filed.**
    - i. Date of Issue = August 10, 2005. The CT-0253 was filed with the Office of State and Local Finance in connection with the issue of the Series 2005A Bonds.
  - c. **Date of authorization by the governing body.**
    - i. The Series 2005A Bonds were authorized by the City's governing body on July 05, 2005.
  - d. **Whether bank-qualified or under other small issuer exception.**
    - i. No

- e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
  - i. The purpose of the Series 2005A Bonds being refunded was to provide funds to pay costs for extensions and improvements to the System; and to pay costs incident to the issuance and sale of the Series 2005A Bonds. The average life of the proposed refunding bonds will not be longer than the average remaining life of the assets financed.
  - f. **Derivative product, if any, and copy of Report of Compliance:**
    - 1.) There is no derivative agreement associated with the Series 2005A Bonds.
4. **Refunded Debt: Information must be provided with respect to *each debt issue to be refunded*; (if all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).**
- a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
    - i. Wastewater System Revenue Bonds, Series 2007, dated November 1, 2007, maturing April 1, 2018 through April 1, 2042 in the principal amount of \$75,000,000 (the "Series 2007 Bonds"). The Series 2007 Bonds are tax-exempt, fixed-rate debt, with a final maturity on April 1, 2042.
  - b. **Date of issue and copy of CT-0253 filed.**
    - i. Date of Issue = November 1, 2007. The CT-0253 was filed with the Office of State and Local Finance in connection with the issue of the Series 2007 Bonds.
  - c. **Date of authorization by the governing body.**
    - i. The Series 2007 Bonds were authorized by the City's governing body on August 28, 2007.
  - d. **Whether bank-qualified or under other small issuer exception.**
    - i. No
  - e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
  - i. The purpose of the Series 2007 Bonds being refunded was to provide funds to pay costs for extensions and improvements to the System; and to pay costs incident to the issuance and sale of the Series 2007 Bonds. The average life of the proposed refunding bonds will not be longer than the average remaining life of the assets financed.
  - f. **Derivative product, if any, and copy of Report of Compliance:**
    - 1.) There is no derivative agreement associated with the Series 2007 Bonds.
5. **Refunded Debt: Information must be provided with respect to *each debt issue to be refunded*; (if all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).**
- a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
    - i. Wastewater System Revenue Bonds, Series 2008, dated December 23, 2008, maturing April 1, 2019 through April 1, 2025 in the principal amount of \$15,675,000 (the "Series 2008 Bonds"). The Series 2008 Bonds are tax-exempt, fixed-rate debt, with a final maturity on April 1, 2025.
  - b. **Date of issue and copy of CT-0253 filed.**
    - i. Date of Issue = December 23, 2008. The CT-0253 was filed with the Office of State and Local Finance in connection with the issue of the Series 2008 Bonds.

- c. **Date of authorization by the governing body.**
  - i. The Series 2008 Bonds were authorized by the City's governing body on July 29, 2008.
- d. **Whether bank-qualified or under other small issuer exception.**
  - i. No
- e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
- i. The purpose of the Series 2008 Bonds being refunded was to provide funds to pay costs for extensions and improvements to the System; and to pay costs incident to the issuance and sale of the Series 2008 Bonds. The average life of the proposed refunding bonds will not be longer than the average remaining life of the assets financed.
- f. **Derivative product, if any, and copy of Report of Compliance:**
  - 1.) There is no derivative agreement associated with the Series 2008 Bonds.

**Knoxville Utilities Board**  
of the  
**City of Knoxville, Tennessee**

**Preliminary  
Refunding Analysis  
Wastewater System**

As of January 20, 2015

Prepared By:

**Cumberland Securities Company, Inc.**

Independent Financial Advisors  
813 S. Northshore Drive, Suite 201A  
Knoxville, Tennessee 37919  
Telephone: (865) 988-2663  
Facsimile: (865) 988-1863



**CUMBERLAND SECURITIES**

**Knoxville Utilities Board  
Preliminary Refunding Analysis  
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**\$137,185,000**  
 City of Knoxville, Tennessee / Knoxville Utilities Board  
 Wastewater System Revenue Refunding Bonds, Series 2015A

Estimated Savings Analysis

Date	Principal	Coupon	Interest	Total P+I	Refunded D/S	Estimated Savings
06/30/2015	-	-	-	-	-	-
06/30/2016	1,125,000.00	0.500%	4,151,746.51	5,276,746.51	5,754,950.00	478,203.49
06/30/2017	1,120,000.00	0.750%	4,157,686.26	5,277,686.26	5,754,950.00	477,263.74
06/30/2018	3,855,000.00	1.000%	4,149,286.26	8,004,286.26	8,479,950.00	475,663.74
06/30/2019	5,980,000.00	1.250%	4,110,736.26	10,090,736.26	10,570,950.00	480,213.74
06/30/2020	6,105,000.00	1.500%	4,035,986.26	10,140,986.26	10,620,012.50	479,026.24
06/30/2021	6,080,000.00	1.750%	3,944,411.26	10,024,411.26	10,508,450.00	484,038.74
06/30/2022	6,135,000.00	2.000%	3,838,011.26	9,973,011.26	10,456,668.76	483,657.50
06/30/2023	6,310,000.00	2.150%	3,715,311.26	10,025,311.26	10,500,218.76	474,907.50
06/30/2024	3,860,000.00	2.250%	3,579,646.26	7,439,646.26	7,915,093.76	475,447.50
06/30/2025	3,905,000.00	2.450%	3,492,796.26	7,397,796.26	7,876,468.76	478,672.50
06/30/2026	1,490,000.00	2.550%	3,397,123.76	4,887,123.76	5,242,343.76	355,220.00
06/30/2027	1,545,000.00	2.650%	3,359,128.76	4,904,128.76	5,260,687.50	356,558.74
06/30/2028	1,450,000.00	2.750%	3,318,186.26	4,768,186.26	5,125,562.50	357,376.24
06/30/2029	1,485,000.00	2.850%	3,278,311.26	4,763,311.26	5,118,906.26	355,595.00
06/30/2030	1,490,000.00	3.100%	3,235,988.76	4,725,988.76	5,084,937.50	358,948.74
06/30/2031	1,550,000.00	3.250%	3,189,798.76	4,739,798.76	5,099,812.50	360,013.74
06/30/2032	1,565,000.00	3.350%	3,139,423.76	4,704,423.76	5,062,937.50	358,513.74
06/30/2033	1,635,000.00	3.450%	3,086,996.26	4,721,996.26	5,074,937.50	352,941.24
06/30/2034	1,695,000.00	3.550%	3,030,588.76	4,725,588.76	5,079,875.00	354,286.24
06/30/2035	1,760,000.00	3.600%	2,970,416.26	4,730,416.26	5,085,125.00	354,708.74
06/30/2036	1,820,000.00	3.650%	2,907,056.26	4,727,056.26	5,087,000.00	359,943.74
06/30/2037	1,910,000.00	3.675%	2,840,626.26	4,750,626.26	5,110,500.00	359,873.74
06/30/2038	13,550,000.00	3.700%	2,770,433.76	16,320,433.76	16,679,500.00	359,066.24
06/30/2039	14,055,000.00	3.725%	2,269,083.76	16,324,083.76	16,682,250.00	358,166.24
06/30/2040	14,610,000.00	3.750%	1,745,535.00	16,355,535.00	16,713,125.00	357,590.00
06/30/2041	15,240,000.00	3.800%	1,197,660.00	16,437,660.00	16,720,000.00	282,340.00
06/30/2042	15,860,000.00	3.900%	618,540.00	16,478,540.00	16,760,000.00	281,460.00
<b>Total</b>	<b>\$137,185,000.00</b>	<b>-</b>	<b>\$85,530,515.49</b>	<b>\$222,715,515.49</b>	<b>\$233,425,212.56</b>	<b>\$10,709,697.07</b>

Net Present Value Benefit \$7,273,838.68  
 Net PV Benefit / \$127,225,000 Refunded Principal 5.717%

Dated..... 4/02/2015  
 First Coupon Date..... 10/01/2015  
 Weighted Average Maturity..... 17.763 Years  
 Bond Yield for Arbitrage Purposes..... 3.4455832%  
 Average Coupon..... 3.5099970%  
 Bond Year Dollars..... \$2,436,768.93  
 True Interest Cost (TIC)..... 3.5050956%

**\$137,185,000**  
City of Knoxville, Tennessee / Knoxville Utilities Board  
Wastewater System Revenue Refunding Bonds, Series 2015A

**Estimated Debt Service**

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/02/2015	-	-	-	-	-
10/01/2015	-	-	2,070,090.88	2,070,090.88	-
04/01/2016	1,125,000.00	0.500%	2,081,655.63	3,206,655.63	-
06/30/2016	-	-	-	-	5,276,746.51
10/01/2016	-	-	2,078,843.13	2,078,843.13	-
04/01/2017	1,120,000.00	0.750%	2,078,843.13	3,198,843.13	-
06/30/2017	-	-	-	-	5,277,686.26
10/01/2017	-	-	2,074,643.13	2,074,643.13	-
04/01/2018	3,855,000.00	1.000%	2,074,643.13	5,929,643.13	-
06/30/2018	-	-	-	-	8,004,286.26
10/01/2018	-	-	2,055,368.13	2,055,368.13	-
04/01/2019	5,980,000.00	1.250%	2,055,368.13	8,035,368.13	-
06/30/2019	-	-	-	-	10,090,736.26
10/01/2019	-	-	2,017,993.13	2,017,993.13	-
04/01/2020	6,105,000.00	1.500%	2,017,993.13	8,122,993.13	-
06/30/2020	-	-	-	-	10,140,986.26
10/01/2020	-	-	1,972,205.63	1,972,205.63	-
04/01/2021	6,080,000.00	1.750%	1,972,205.63	8,052,205.63	-
06/30/2021	-	-	-	-	10,024,411.26
10/01/2021	-	-	1,919,005.63	1,919,005.63	-
04/01/2022	6,135,000.00	2.000%	1,919,005.63	8,054,005.63	-
06/30/2022	-	-	-	-	9,973,011.26
10/01/2022	-	-	1,857,655.63	1,857,655.63	-
04/01/2023	6,310,000.00	2.150%	1,857,655.63	8,167,655.63	-
06/30/2023	-	-	-	-	10,025,311.26
10/01/2023	-	-	1,789,823.13	1,789,823.13	-
04/01/2024	3,860,000.00	2.250%	1,789,823.13	5,649,823.13	-
06/30/2024	-	-	-	-	7,439,646.26
10/01/2024	-	-	1,746,398.13	1,746,398.13	-
04/01/2025	3,905,000.00	2.450%	1,746,398.13	5,651,398.13	-
06/30/2025	-	-	-	-	7,397,796.26
10/01/2025	-	-	1,698,561.88	1,698,561.88	-
04/01/2026	1,490,000.00	2.550%	1,698,561.88	3,188,561.88	-
06/30/2026	-	-	-	-	4,887,123.76
10/01/2026	-	-	1,679,564.38	1,679,564.38	-
04/01/2027	1,545,000.00	2.650%	1,679,564.38	3,224,564.38	-
06/30/2027	-	-	-	-	4,904,128.76
10/01/2027	-	-	1,659,093.13	1,659,093.13	-
04/01/2028	1,450,000.00	2.750%	1,659,093.13	3,109,093.13	-
06/30/2028	-	-	-	-	4,768,186.26
10/01/2028	-	-	1,639,155.63	1,639,155.63	-
04/01/2029	1,485,000.00	2.850%	1,639,155.63	3,124,155.63	-
06/30/2029	-	-	-	-	4,763,311.26
10/01/2029	-	-	1,617,994.38	1,617,994.38	-
04/01/2030	1,490,000.00	3.100%	1,617,994.38	3,107,994.38	-
06/30/2030	-	-	-	-	4,725,988.76

**\$137,185,000**  
**City of Knoxville, Tennessee / Knoxville Utilities Board**  
**Wastewater System Revenue Refunding Bonds, Series 2015A**

**Estimated Debt Service**

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
10/01/2030	-	-	1,594,899.38	1,594,899.38	-
04/01/2031	1,550,000.00	3.250%	1,594,899.38	3,144,899.38	-
06/30/2031	-	-	-	-	4,739,798.76
10/01/2031	-	-	1,569,711.88	1,569,711.88	-
04/01/2032	1,565,000.00	3.350%	1,569,711.88	3,134,711.88	-
06/30/2032	-	-	-	-	4,704,423.76
10/01/2032	-	-	1,543,498.13	1,543,498.13	-
04/01/2033	1,635,000.00	3.450%	1,543,498.13	3,178,498.13	-
06/30/2033	-	-	-	-	4,721,996.26
10/01/2033	-	-	1,515,294.38	1,515,294.38	-
04/01/2034	1,695,000.00	3.550%	1,515,294.38	3,210,294.38	-
06/30/2034	-	-	-	-	4,725,588.76
10/01/2034	-	-	1,485,208.13	1,485,208.13	-
04/01/2035	1,760,000.00	3.600%	1,485,208.13	3,245,208.13	-
06/30/2035	-	-	-	-	4,730,416.26
10/01/2035	-	-	1,453,528.13	1,453,528.13	-
04/01/2036	1,820,000.00	3.650%	1,453,528.13	3,273,528.13	-
06/30/2036	-	-	-	-	4,727,056.26
10/01/2036	-	-	1,420,313.13	1,420,313.13	-
04/01/2037	1,910,000.00	3.675%	1,420,313.13	3,330,313.13	-
06/30/2037	-	-	-	-	4,750,626.26
10/01/2037	-	-	1,385,216.88	1,385,216.88	-
04/01/2038	13,550,000.00	3.700%	1,385,216.88	14,935,216.88	-
06/30/2038	-	-	-	-	16,320,433.76
10/01/2038	-	-	1,134,541.88	1,134,541.88	-
04/01/2039	14,055,000.00	3.725%	1,134,541.88	15,189,541.88	-
06/30/2039	-	-	-	-	16,324,083.76
10/01/2039	-	-	872,767.50	872,767.50	-
04/01/2040	14,610,000.00	3.750%	872,767.50	15,482,767.50	-
06/30/2040	-	-	-	-	16,355,535.00
10/01/2040	-	-	598,830.00	598,830.00	-
04/01/2041	15,240,000.00	3.800%	598,830.00	15,838,830.00	-
06/30/2041	-	-	-	-	16,437,660.00
10/01/2041	-	-	309,270.00	309,270.00	-
04/01/2042	15,860,000.00	3.900%	309,270.00	16,169,270.00	-
06/30/2042	-	-	-	-	16,478,540.00
<b>Total</b>	<b>\$137,185,000.00</b>	<b>-</b>	<b>\$85,530,515.49</b>	<b>\$222,715,515.49</b>	<b>-</b>

**Date And Term Structure**

Dated.....	4/02/2015
First Coupon Date.....	10/01/2015
Frequency of Interest Payments.....	2 Per Year
First Serial Maturity Date.....	4/01/2016

**Yield Statistics**

Average Coupon.....	3.5099970%
Weighted Average Maturity.....	17.763 Years
Bond Year Dollars.....	\$2,436,768.93
Bond Yield for Arbitrage Purposes.....	3.445832%
True Interest Cost (TIC).....	3.5050956%

Cumberland Securities Company, Inc.  
Tennessee Public Finance - SPG

**\$137,185,000**  
City of Knoxville, Tennessee / Knoxville Utilities Board  
Wastewater System Revenue Refunding Bonds, Series 2015A

Estimated Sources & Uses

Dated 04/02/2015 | Delivered 04/02/2015

<b>Estimated Sources Of Funds</b>	
Par Amount of Bonds.....	\$137,185,000.00
<b>Estimated Total Sources.....</b>	<b>\$137,185,000.00</b>
<b>Estimated Uses Of Funds</b>	
Estimated Total Underwriter's Discount (Final Discount determined when bids are calculated*).....	1,083,975.04
Estimated Costs of Issuance.....	438,000.00
Estimated Deposit to Net Cash Escrow Fund.....	135,663,024.96
<b>Estimated Total Uses.....</b>	<b>\$137,185,000.00</b>

\* Bids are award based on the lowest True Interest Cost (TIC).

True Interest Cost is a method of computing the interest expense to the issuer of bonds, true interest cost is defined as the rate, compounded semi-annually, necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. Purchase price is affected by the amount of underwriter's discount the buyer utilizes.

**\$137,185,000**  
City of Knoxville, Tennessee / Knoxville Utilities Board  
Wastewater System Revenue Refunding Bonds, Series 2015A

**Estimated Refunding Escrow**

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
04/02/2015	-	-	-	36,554,061.96	36,554,061.11	0.85
10/01/2015	1,929,845.00	0.050%	216,630.34	2,146,475.34	2,146,475.00	1.19
04/01/2016	1,926,639.00	0.130%	219,835.94	2,146,474.94	2,146,475.00	1.13
10/01/2016	1,929,137.00	0.260%	217,338.16	2,146,475.16	2,146,475.00	1.29
04/01/2017	76,931,644.00	0.410%	214,830.30	77,146,474.30	77,146,475.00	0.59
10/01/2017	357,848.00	0.560%	57,120.44	414,968.44	414,968.75	0.28
04/01/2018	16,033,850.00	0.700%	56,118.47	16,089,968.47	16,089,968.75	-
<b>Total</b>	<b>\$99,108,963.00</b>	<b>-</b>	<b>\$981,873.65</b>	<b>\$136,644,898.61</b>	<b>\$136,644,898.61</b>	<b>-</b>

**Investment Parameters**

Investment Model [PV, GIC, or Securities].....	Securities
Default investment yield target.....	Unrestricted
Cash Deposit.....	36,554,061.96
Cost of Investments Purchased with Bond Proceeds.....	99,108,963.00
Total Cost of Investments.....	\$135,663,024.96
Target Cost of Investments at bond yield.....	\$129,741,799.16
Actual positive or (negative) arbitrage.....	(5,921,225.80)
Yield to Receipt.....	0.4710751%
Yield for Arbitrage Purposes.....	3.4455832%
State and Local Government Series (SLGS) rates for.....	1/16/2015

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**\$137,185,000**  
City of Knoxville, Tennessee / Knoxville Utilities Board  
Wastewater System Revenue Refunding Bonds, Series 2015A

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**Estimated Detail Costs Of Issuance**

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Dated 04/02/2015 | Delivered 04/02/2015

**ESTIMATED COSTS OF ISSUANCE DETAIL**

Financial Advisor.....	\$150,000.00
Bond Counsel.....	\$125,000.00
Paying Agent Origination.....	\$1,250.00
Rating Agency Fee - Moody's.....	\$75,000.00
Rating Agency Fee - S&P.....	\$75,000.00
POS/Official Statement.....	\$5,750.00
I-Deal.....	\$1,000.00
Miscellaneous.....	\$5,000.00
<b>ESTIMATED TOTAL.....</b>	<b>\$438,000.00</b>

**\$75,000,000**  
**Knoxville Utilities Board**  
**Wastewater System Revenue Bonds, Series 2007**

**Debt Service To Maturity And To Call**

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
06/30/2016	-	3,463,012.50	3,463,012.50	-	-	3,463,012.50	3,463,012.50
06/30/2017	75,000,000.00	3,463,012.50	78,463,012.50	-	-	3,463,012.50	3,463,012.50
06/30/2018	-	-	-	2,725,000.00	4.000%	3,463,012.50	6,188,012.50
06/30/2019	-	-	-	2,900,000.00	4.125%	3,354,012.50	6,254,012.50
06/30/2020	-	-	-	3,125,000.00	4.250%	3,234,387.50	6,359,387.50
06/30/2021	-	-	-	3,175,000.00	4.375%	3,101,575.00	6,276,575.00
06/30/2022	-	-	-	3,300,000.00	4.400%	2,962,668.76	6,262,668.76
06/30/2023	-	-	-	3,525,000.00	4.500%	2,817,468.76	6,342,468.76
06/30/2024	-	-	-	1,125,000.00	4.500%	2,658,843.76	3,783,843.76
06/30/2025	-	-	-	1,175,000.00	4.500%	2,608,218.76	3,783,218.76
06/30/2026	-	-	-	1,225,000.00	4.625%	2,555,343.76	3,780,343.76
06/30/2027	-	-	-	1,300,000.00	4.625%	2,498,687.50	3,798,687.50
06/30/2028	-	-	-	1,225,000.00	4.625%	2,438,562.50	3,663,562.50
06/30/2029	-	-	-	1,275,000.00	4.625%	2,381,906.26	3,656,906.26
06/30/2030	-	-	-	1,300,000.00	4.625%	2,322,937.50	3,622,937.50
06/30/2031	-	-	-	1,375,000.00	4.500%	2,262,812.50	3,637,812.50
06/30/2032	-	-	-	1,400,000.00	4.500%	2,200,937.50	3,600,937.50
06/30/2033	-	-	-	1,475,000.00	4.750%	2,137,937.50	3,612,937.50
06/30/2034	-	-	-	1,550,000.00	4.500%	2,067,875.00	3,617,875.00
06/30/2035	-	-	-	1,625,000.00	4.500%	1,998,125.00	3,623,125.00
06/30/2036	-	-	-	1,700,000.00	4.500%	1,925,000.00	3,625,000.00
06/30/2037	-	-	-	1,800,000.00	4.500%	1,848,500.00	3,648,500.00
06/30/2038	-	-	-	1,850,000.00	4.500%	1,767,500.00	3,617,500.00
06/30/2039	-	-	-	1,825,000.00	4.500%	1,684,250.00	3,509,250.00
06/30/2040	-	-	-	1,825,000.00	4.500%	1,602,125.00	3,427,125.00
06/30/2041	-	-	-	15,200,000.00	5.000%	1,520,000.00	16,720,000.00
06/30/2042	-	-	-	16,000,000.00	4.750%	760,000.00	16,760,000.00
<b>Total</b>	<b>\$75,000,000.00</b>	<b>\$6,926,025.00</b>	<b>\$81,926,025.00</b>	<b>\$75,000,000.00</b>	<b>-</b>	<b>\$65,098,712.56</b>	<b>\$140,098,712.56</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation.....	4/02/2015
Average Life.....	18.381 Years
Average Coupon.....	4.7215906%
Weighted Average Maturity (Par Basis).....	18.381 Years

**Refunding Bond Information**

Refunding Dated Date.....	4/02/2015
Refunding Delivery Date.....	4/02/2015

**\$45,000,000**  
**Knoxville Utilities Board**  
**Wastewater System Revenue Bonds, Series 2008**

**Debt Service To Maturity And To Call**

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
06/30/2016	-	829,937.50	829,937.50	-	5.000%	829,937.50	829,937.50
06/30/2017	-	829,937.50	829,937.50	-	5.000%	829,937.50	829,937.50
06/30/2018	15,675,000.00	829,937.50	16,504,937.50	-	5.000%	829,937.50	829,937.50
06/30/2019	-	-	-	2,025,000.00	5.250%	829,937.50	2,854,937.50
06/30/2020	-	-	-	2,075,000.00	5.000%	723,625.00	2,798,625.00
06/30/2021	-	-	-	2,150,000.00	5.250%	619,875.00	2,769,875.00
06/30/2022	-	-	-	2,225,000.00	5.000%	507,000.00	2,732,000.00
06/30/2023	-	-	-	2,300,000.00	5.500%	395,750.00	2,695,750.00
06/30/2024	-	-	-	2,400,000.00	5.750%	269,250.00	2,669,250.00
06/30/2025	-	-	-	2,500,000.00	5.250%	131,250.00	2,631,250.00
<b>Total</b>	<b>\$15,675,000.00</b>	<b>\$2,489,812.50</b>	<b>\$18,164,812.50</b>	<b>\$15,675,000.00</b>	<b>-</b>	<b>\$5,966,500.00</b>	<b>\$21,641,500.00</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation.....	4/02/2015
Average Life.....	7.139 Years
Average Coupon.....	5.3296250%
Weighted Average Maturity (Par Basis).....	7.139 Years

**Refunding Bond Information**

Refunding Dated Date.....	4/02/2015
Refunding Delivery Date.....	4/02/2015

**\$140,000,000**  
**Knoxville Utilities Board**  
**Wastewater System Revenue Improvement Bonds, Series 2005A**

**Debt Service To Maturity And To Call**

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
06/30/2015	36,550,000.00	4,061.11	36,554,061.11	-	-	-	-
06/30/2016	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2017	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2018	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2019	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2020	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2021	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2022	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2023	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2024	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2025	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2026	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2027	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2028	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2029	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2030	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2031	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2032	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2033	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2034	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2035	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2036	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2037	-	-	-	-	-	1,462,000.00	1,462,000.00
06/30/2038	-	-	-	11,600,000.00	4.000%	1,462,000.00	13,062,000.00
06/30/2039	-	-	-	12,175,000.00	4.000%	998,000.00	13,173,000.00
06/30/2040	-	-	-	12,775,000.00	4.000%	511,000.00	13,286,000.00
<b>Total</b>	<b>\$36,550,000.00</b>	<b>\$4,061.11</b>	<b>\$36,554,061.11</b>	<b>\$36,550,000.00</b>	<b>-</b>	<b>\$35,135,000.00</b>	<b>\$71,685,000.00</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation.....	4/02/2015
Average Life.....	24.029 Years
Average Coupon.....	4.0000000%
Weighted Average Maturity (Par Basis).....	24.029 Years

**Refunding Bond Information**

Refunding Dated Date.....	4/02/2015
Refunding Delivery Date.....	4/02/2015

City of Knoxville, Tennessee / Knoxville Utilities Board  
Wastewater System Revenue Bonds, Series 2007  
Wastewater System Revenue Bonds, Series 2008  
Wastewater System Revenue Improvement Bonds, Series 2005A

Combined Debt Service To Maturity And To Call

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Interest	Refunded D/S
06/30/2015	36,550,000.00	4,061.11	36,554,061.11	-	-	-
06/30/2016	-	4,292,950.00	4,292,950.00	-	5,754,950.00	5,754,950.00
06/30/2017	75,000,000.00	4,292,950.00	79,292,950.00	-	5,754,950.00	5,754,950.00
06/30/2018	15,675,000.00	829,937.50	16,504,937.50	2,725,000.00	5,754,950.00	8,479,950.00
06/30/2019	-	-	-	4,925,000.00	5,645,950.00	10,570,950.00
06/30/2020	-	-	-	5,200,000.00	5,420,012.50	10,620,012.50
06/30/2021	-	-	-	5,325,000.00	5,183,450.00	10,508,450.00
06/30/2022	-	-	-	5,525,000.00	4,931,668.76	10,456,668.76
06/30/2023	-	-	-	5,825,000.00	4,675,218.76	10,500,218.76
06/30/2024	-	-	-	3,525,000.00	4,390,093.76	7,915,093.76
06/30/2025	-	-	-	3,675,000.00	4,201,468.76	7,876,468.76
06/30/2026	-	-	-	1,225,000.00	4,017,343.76	5,242,343.76
06/30/2027	-	-	-	1,300,000.00	3,960,687.50	5,260,687.50
06/30/2028	-	-	-	1,225,000.00	3,900,562.50	5,125,562.50
06/30/2029	-	-	-	1,275,000.00	3,843,906.26	5,118,906.26
06/30/2030	-	-	-	1,300,000.00	3,784,937.50	5,084,937.50
06/30/2031	-	-	-	1,375,000.00	3,724,812.50	5,099,812.50
06/30/2032	-	-	-	1,400,000.00	3,662,937.50	5,062,937.50
06/30/2033	-	-	-	1,475,000.00	3,599,937.50	5,074,937.50
06/30/2034	-	-	-	1,550,000.00	3,529,875.00	5,079,875.00
06/30/2035	-	-	-	1,625,000.00	3,460,125.00	5,085,125.00
06/30/2036	-	-	-	1,700,000.00	3,387,000.00	5,087,000.00
06/30/2037	-	-	-	1,800,000.00	3,310,500.00	5,110,500.00
06/30/2038	-	-	-	13,450,000.00	3,229,500.00	16,679,500.00
06/30/2039	-	-	-	14,000,000.00	2,682,250.00	16,682,250.00
06/30/2040	-	-	-	14,600,000.00	2,113,125.00	16,713,125.00
06/30/2041	-	-	-	15,200,000.00	1,520,000.00	16,720,000.00
06/30/2042	-	-	-	16,000,000.00	760,000.00	16,760,000.00
<b>Total</b>	<b>\$127,225,000.00</b>	<b>\$9,419,898.61</b>	<b>\$136,644,898.61</b>	<b>\$127,225,000.00</b>	<b>\$106,200,212.56</b>	<b>\$233,425,212.56</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation.....	4/02/2015
Average Life.....	18.618 Years
Average Coupon.....	4.483400%
Weighted Average Maturity (Par Basis).....	18.618 Years

**Refunding Bond Information**

Refunding Dated Date.....	4/02/2015
Refunding Delivery Date.....	4/02/2015

Issuer's No. \_\_\_\_\_  
(To be filled out by State)

RECEIVED

AUG 11 2005 **REPORT ON DEBT OBLIGATION**  
(Pursuant to Chapter 402, Public Acts of 1989)

**LOCAL FINANCE**

**1. Issuer:**

Name Knoxville Utilities Board

Address Attn: President & CEO  
445 Gay Street  
Knoxville, Tennessee 37902

**2. Debt Obligation:**

<input checked="" type="checkbox"/>	a. Bond
<input type="checkbox"/>	b. CON
<input type="checkbox"/>	c. BAN
<input type="checkbox"/>	d. GAN
<input type="checkbox"/>	e. Lease/Lease Purchase
<input type="checkbox"/>	f. Loan Agreement

**5. Face Amount of Debt Obligation:** \$140,000,000

**6. Type of Sale:**

<input checked="" type="checkbox"/>	a. Competitive Public Sale
<input type="checkbox"/>	b. Negotiated
<input type="checkbox"/>	c. Loan Program _____ specify

**3. Security for Debt Obligation:**

<input type="checkbox"/>	a. General Obligation
<input type="checkbox"/>	b. General Obligation Revenue and Tax
<input checked="" type="checkbox"/>	c. Revenue
<input type="checkbox"/>	d. Annual Appropriations

**7. Tax Status**

a.  Tax Exempt      b.  Taxable

**8. Dated Date:** August 10, 2005

**9. Issue Date (Closing Date):** August 10, 2005

**4. Purpose of Issue**

<input type="checkbox"/>	a. General Government	Percent of Issue: _____
<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 type="checkbox"/>	i. Airports	_____
<input checked="" type="checkbox"/>	j. Utilities	_____
<input type="checkbox"/>	i. Water	_____
<input checked="" type="checkbox"/>	ii. Sewer	<u>100%</u>
<input type="checkbox"/>	iii. Electric	_____
<input type="checkbox"/>	iv. Gas	_____
<input type="checkbox"/>	k. Refunding or Renewal	_____
<input type="checkbox"/>	l. Other _____	_____

specify

**10. Rating:**

a. Moody's "Aaa" (MBIA)  
b. Standard & Poor's "AAA" (MBIA)  
c. Unrated \_\_\_\_\_

**11. Interest Cost:**

4.6570794%

<input checked="" type="checkbox"/>	a. TIC
<input type="checkbox"/>	b. NIC
<input type="checkbox"/>	c. Variable
<input type="checkbox"/>	d. Other

**12. Recurring Costs:**

a. Remarketing Agent Fees \$ \_\_\_\_\_

b. Liquidity Fees \$ \_\_\_\_\_

c. Credit Enhancement Fees \$ \_\_\_\_\_

**13. Maturity Dates, Amounts and Interest Rates**

Year	Amount	Interest Rate
2024	\$3,800,000	5.00%
2025	4,150,000	5.00%
2026	4,350,000	5.00%
2030	7,850,000	5.00%
2031	8,225,000	4.75%
2032	8,650,000	4.75%

Year	Amount	Interest Rate
TERM BONDS		
2029	\$16,300,000	4.375%
2035	28,600,000	5.00%
2037	21,525,000	5.00%
2040	36,550,000	4.00%

If additional space is needed, attach additional sheet.

**14. Itemized Description of the Cost of Issuance**

		Name of Firm
a. Financial Advisor Fees*	\$150,670	Morgan Keegan & Company, Inc.
b. Legal Fees		
i. Bond Counsel	\$78,349	Bass, Berry & Sims PLC
ii. Issuer's Counsel		
iii. Trustee's Counsel		
iv. Verification Fee		
c. Paying Agent Fees and Registration Fees	\$250	Regions Bank
d. Trustee Fees		
e. Remarketing Agent Fees		
f. Liquidity Fees		
g. Rating Agency Fees	\$64,639	Moody's, Standard & Poor's
h. Credit Enhancement Fees	\$557,500	MBIA Insurance Corporation
i. Underwriter's Discount(%)	\$460,300	Lehman Brothers
i. Take Down		
ii. Management Fee		
iii. Risk Premium		
iv. Underwriter's Counsel		
v. Other Expenses		
j. Printing and Advertising Fees	\$12,067	Knoxville News-Sentinel, Bond Buyer, Print Shop, CUSIP
k. Issuer Fees		
l. Real Estate Fees		
m. Other Costs	\$3,750	structuring, postage, Fed Ex, document production, etc.
n. Total Costs	\$1,327,525	

\* If other costs are included, please itemize.

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15 Mirilla C. Roach  
 Authorized Representative  
 President & CEO  
 Title  
 August 10, 2005  
 Date

/s/ Joseph K. Ayres  
 Preparer  
 Managing Director  
 Title  
 Morgan Keegan & Company, Inc.  
 Firm  
 August 10, 2005  
 Date

SEND TO: Comptroller of the Treasury, Director-Division of Local Finance, Suite 1700, 505 Deaderick Street, James K. Polk State Office Building, Nashville, Tennessee 37243-0274

Issuer's No. \_\_\_\_\_  
(To be filled out by State)

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Chapter 402, Public Acts of 1989)

**1. Issuer:**

Name Knoxville Utilities Board

Address Attn: President & CEO  
445 Gay Street  
Knoxville, Tennessee - 37902

**2. Debt Obligation:**

<input checked="" type="checkbox"/>	a. Bond
<input type="checkbox"/>	b. CON
<input type="checkbox"/>	c. BAN
<input type="checkbox"/>	d. GAN
<input type="checkbox"/>	e. Lease/Lease Purchase
<input type="checkbox"/>	f. Loan Agreement

**5. Face Amount of Debt Obligation:** \$75,000,000

**6. Type of Sale:**

<input checked="" type="checkbox"/>	a. Competitive Public Sale
<input type="checkbox"/>	b. Negotiated
<input type="checkbox"/>	c. Loan Program _____

specify \_\_\_\_\_

**3. Security for Debt Obligation:**

<input type="checkbox"/>	a. General Obligation
<input type="checkbox"/>	b. General Obligation Revenue and Tax
<input checked="" type="checkbox"/>	c. Revenue
<input type="checkbox"/>	d. Annual Appropriations

**7. Tax Status**

a.  Tax Exempt      b.  Taxable

**8. Dated Date:** November 1, 2007

**9. Issue Date (Closing Date):** November 1, 2007

**4. Purpose of Issue**      **Percent 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 type="checkbox"/>	i. Airports	_____
<input checked="" type="checkbox"/>	j. Utilities	_____
	i. Water	_____
	ii. Sewer	<u>100%</u>
	iii. Electric	_____
	iv. Gas	_____
<input type="checkbox"/>	k. Refunding or Renewal	_____
<input type="checkbox"/>	l. Other _____	_____

specify \_\_\_\_\_

**10. Rating:**

a. Moody's "Aaa" (FSA)  
b. Standard & Poor's "AAA" (FSA)  
c. Unrated \_\_\_\_\_

**11. Interest Cost:**

4.6879606%

<input checked="" type="checkbox"/>	a. TIC
<input type="checkbox"/>	b. NIC
<input type="checkbox"/>	c. Variable
<input type="checkbox"/>	d. Other

**12. Recurring Costs:**

a. Remarketing Agent Fees \$ \_\_\_\_\_

b. Liquidity Fees \$ \_\_\_\_\_

c. Credit Enhancement Fees \$ \_\_\_\_\_

**13. Maturity Dates, Amounts and Interest Rates**

Year	Amount	Interest Rate
2018	\$2,725,000	4.00%
2019	2,900,000	4.125%
2020	3,125,000	4.25%
2021	3,175,000	4.375%
2022	3,300,000	4.40%
2023	3,525,000	4.50%
2024	1,125,000	4.50%
2025	1,175,000	4.50%
2026	1,225,000	4.625%
2027	1,300,000	4.625%
2028	1,225,000	4.625%

Year	Amount	Interest Rate
2029	\$1,275,000	4.625%
2030	1,300,000	4.625%
2031	1,375,000	4.50%
2032	1,400,000	4.50%
2033	1,475,000	4.75%
2041	15,200,000	5.00%
2042	16,000,000	4.75%
TERM BONDS		
2037	\$6,675,000	4.50%
2040	5,500,000	4.50%

If additional space is needed, attach additional sheet.

**14. Itemized Description of the Cost of Issuance**

		Name of Firm
a. Financial Advisor Fees*	\$50,000	Morgan Keegan & Company, Inc.
b. Legal Fees		
i. Bond Counsel	\$55,000	Bass, Berry & Sims PLC.
ii. Issuer's Counsel		
iii. Trustee's Counsel		
iv. Verification Fee		
c. Paying Agent Fees and Registration Fees	\$250	Regions Bank
d. Trustee Fees		
e. Remarketing Agent Fees		
f. Liquidity Fees		
g. Rating Agency Fees	\$57,900	Moody's, Standard & Poor's
h. Credit Enhancement Fees	\$195,863	Financial Security Assurance (paid by Underwriter)
i. Underwriter's Discount(%)	-\$172,150	Wachovia Bank, National Association
i. Take Down		
ii. Management Fee		
iii. Risk Premium		
iv. Underwriter's Counsel		
v. Other Expenses		
j. Printing and Advertising Fees	\$7,500	Knoxville News-Sentinel, Bond Buyer, Print Shop, CUSIP
k. Issuer Fees		
l. Real Estate Fees		
m. Other Costs	\$1,500	structuring, postage, Fed Ex, document production, etc.
n. Total Costs	\$540,163	

\* If other costs are included, please itemize.

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15

Marta Roach  
 Authorized Representative  
  
 President & CEO  
 Title  
  
 November 1, 2007  
 Date

/s/ Joseph K. Ayres  
 Preparer  
 Managing Director  
 Title  
 Morgan Keegan & Company, Inc.  
 Firm  
 November 1, 2007  
 Date

SEND TO: Comptroller of the Treasury, Director-Division of Local Finance, Suite 1700, 505 Deaderick Street, James K. Polk State Office Building, Nashville, Tennessee 37243-0274

Issuer's No. \_\_\_\_\_  
(To be filled out by State)

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Chapter 402, Public Acts of 1989)

**1. Issuer:**

Name Knoxville Utilities Board

Address Attn: President & CEO  
445 Gay Street  
Knoxville, Tennessee 37902

**2. Debt Obligation:**

<input checked="" type="checkbox"/>	a. Bond
<input type="checkbox"/>	b. CON
<input type="checkbox"/>	c. BAN
<input type="checkbox"/>	d. GAN
<input type="checkbox"/>	e. Lease/Lease Purchase
<input type="checkbox"/>	f. Loan Agreement

**5. Face Amount of Debt Obligation:** \$45,000,000

**6. Type of Sale:**

<input checked="" type="checkbox"/>	a. Competitive Public Sale
<input type="checkbox"/>	b. Negotiated
<input type="checkbox"/>	c. Loan Program _____ specify

**3. Security for Debt Obligation:**

<input type="checkbox"/>	a. General Obligation
<input type="checkbox"/>	b. General Obligation Revenue and Tax
<input checked="" type="checkbox"/>	c. Revenue
<input type="checkbox"/>	d. Annual Appropriations

**7. Tax Status**

a.  Tax Exempt      b.  Taxable

**8. Dated Date:** December 23, 2008

**9. Issue Date (Closing Date):** December 23, 2008

**4. Purpose of Issue**      **Percent 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 type="checkbox"/>	i. Airports	_____
<input checked="" type="checkbox"/>	j. Utilities	_____
<input type="checkbox"/>	i. Water	_____
<input checked="" type="checkbox"/>	ii. Sewer	<u>100%</u>
<input type="checkbox"/>	iii. Electric	_____
<input type="checkbox"/>	iv. Gas	_____
<input type="checkbox"/>	k. Refunding or Renewal	_____
<input type="checkbox"/>	l. Other _____	_____

specify

**10. Rating:**

a. Moody's "Aa3"

b. Standard & Poor's "AA+"

c. Unrated \_\_\_\_\_

**11. Interest Cost:**

4.6672562%

<input checked="" type="checkbox"/>	a. TIC
<input type="checkbox"/>	b. NIC
<input type="checkbox"/>	c. Variable
<input type="checkbox"/>	d. Other

**12. Recurring Costs:**

a. Remarketing Agent Fees \$ \_\_\_\_\_

b. Liquidity Fees \$ \_\_\_\_\_

c. Credit Enhancement Fees \$ \_\_\_\_\_

**RECEIVED**  
**JAN 21 2009**  
**LOCAL FINANCE**

**13. Maturity Dates, Amounts and Interest Rates**

Year	Amount	Interest Rate
2011	\$3,200,000	5.00%
2012	3,300,000	4.00%
2013	3,400,000	4.00%
2014	4,125,000	4.00%
2015	4,300,000	6.00%
2016	4,450,000	5.00%
2017	4,600,000	5.00%
2018	1,950,000	5.00%
2019	2,025,000	5.25%
2020	2,075,000	5.00%
2021	2,150,000	5.25%

Year	Amount	Interest Rate
2022	\$2,225,000	5.00%
2023	2,300,000	5.50%
2024	2,400,000	5.75%
2025	2,500,000	5.25%

If additional space is needed, attach additional sheet.

**14. Itemized Description of the Cost of Issuance**

		Name of Firm
a. Financial Advisor Fees*	\$60,000	Morgan Keegan & Company, Inc.
b. Legal Fees		
i. Bond Counsel	\$40,000	Bass, Berry & Sims PLC
ii. Issuer's Counsel		
iii. Trustee's Counsel		
iv. Verification Fee		
c. Paying Agent Fees and Registration Fees	\$500	Regions Bank
d. Trustee Fees		
e. Remarketing Agent Fees		
f. Liquidity Fees		
g. Rating Agency Fees	\$38,250	Moody's, Standard & Poor's
h. Credit Enhancement Fees		
i. Underwriter's Discount(%)	\$497,615	Hutchinson, Shockey, Erley & Co.
i. Take Down		
ii. Management Fee		
iii. Risk Premium		
iv. Underwriter's Counsel		
v. Other Expenses		
j. Printing and Advertising Fees	\$4,400	Knoxville News-Sentinel, i-deal, Print Shop, CUSIP
k. Issuer Fees		
l. Real Estate Fees		
m. Other Costs	\$1,850	structuring, postage, Fed Ex, document production, etc.
n. Total Costs	\$642,615	

\* If other costs are included, please itemize.

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15

Mitcha Rouch  
Authorized Representative

President & CEO  
Title

December 23, 2008  
Date

/s/ Joseph K. Ayres

Preparer  
Managing Director

Title  
Morgan Keegan & Company, Inc.

Firm  
December 23, 2008  
Date

SEND TO: Comptroller of the Treasury, Director-Division of Local Finance, Suite 1700, 505 Deaderick Street, James K. Polk State Office Building, Nashville, Tennessee 37243-0274



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

February 2, 2015

Honorable Madeline Rogero, Mayor  
City of Knoxville  
P.O. Box 1631  
Knoxville, TN 37901

Dear Mayor Rogero:

This letter acknowledges receipt on January 29, 2015, from the City of Knoxville (the "City") of a request to review a plan of refunding (the "Plan") for the issuance of a maximum \$24,500,000 Water System Revenue Refunding Bonds, Series BB-2015 (the "Refunding Bonds"), to advance refund an estimated \$22,225,000 Water System Revenue Bonds, Series T-2007 (the "Refunded Bonds").

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

**BALLOON INDEBTEDNESS**

The proposed debt to be issued is secured solely by a revenue pledge and the City has some amount of long-term revenue indebtedness outstanding that is rated AA+/Aa1 or better; therefore, the debt falls under this exception to the balloon indebtedness statute.

**FINANCIAL PROFESSIONALS**

The City has reported Cumberland Securities Company, Inc. as its financial advisor. Financial advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of its financial advisor.

**CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the refunding is for present value savings.

## **COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY**

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

## **REPORT OF THE REVIEW OF A PLAN OF REFUNDING**

This letter, report, and the Plan are to be posted on the City's website, if there is one. The same report is to be provided to each member of the governing body and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

**The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.**

*This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

## REPORT ON DEBT OBLIGATION

We are enclosing the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to [stateandlocalfinance.publicdebtform@cot.tn.gov](mailto:stateandlocalfinance.publicdebtform@cot.tn.gov). No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. The form can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Ms. Mintha Roach, President and CEO, Knoxville Utilities Board  
Mr. Joseph Ayres, Cumberland Securities Company, Inc.  
Mr. Scott Gibson, Cumberland Securities Company, Inc.  
Mr. Mark Mamantov, Bass Berry & Sims

Enclosures: Report of the Director of the Office of State & Local Finance  
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE  
BY THE CITY OF KNOXVILLE, TENNESSEE OF  
WATER SYSTEM REVENUE REFUNDING BONDS, SERIES BB-2015**

City of Knoxville (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of a maximum \$24,500,000 Water System Revenue Refunding Bonds, Series BB-2015 (the "Refunding Bonds"), to advance refund an estimated \$22,225,000 Water System Revenue Bonds, Series T-2007 (the "Refunded Bonds").

The Plan was prepared with the assistance of the City's municipal advisor, Cumberland Securities Company, Inc. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

**BALLOON INDEBTEDNESS**

The proposed debt to be issued is secured solely by a revenue pledge and the City has some amount of long-term revenue indebtedness outstanding that is rated AA+/Aa1 or better; therefore, the debt falls under this exception to the balloon indebtedness statute.

**CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the refunding is for present value savings.

**REFUNDING ANALYSIS**

- The results of the refunding are based on the assumption that \$24,400,000 Refunding Bonds will be sold by competitive sale and priced at par.
- The estimated net present value savings of the refunding is \$1,467,001 or 6.60% of the refunded principal amount of \$22,225,000. Gross savings are \$1,867,586.
- The savings are generated by reducing the average coupon of the Refunded Bonds from 4.46% to an average coupon of 2.91% for the Refunding Bonds.
- The final maturity of the Refunding Bonds does not extend beyond the final maturity of the Refunded Bonds.
- Estimated cost of issuance of the Refunding Bonds is \$368,272 or \$15.09 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1  
Costs of Issuance of the Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter (Competitive Sale)	\$ 185,271.86	\$ 7.59
Financial Advisor (Cumberland Securities Company)	65,000.00	2.66
Bond Counsel (Bass Berry & Sims)	55,000.00	2.25
Other Costs (includes \$50,000 for rating agency fees)	63,000.00	2.58
<b>Total Cost of Issuance</b>	<b>\$ 368,271.86</b>	<b>\$ 15.09</b>

The City has identified Cumberland Securities Company, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.

A handwritten signature in cursive script that reads "Sandra Thompson".

Sandra Thompson  
Director of the Office of State and Local Finance  
Date: February 2, 2015



Knoxville Utilities Board

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January 28, 2015

Ms. Sandra Thompson  
Director of Office of State and Local Finance  
Suite 1600, James K. Polk Building  
505 Deaderick Street  
Nashville, TN. 37243-1402

Re: Knoxville Utilities Board / City of Knoxville, Tennessee

Dear Ms. Thompson:

The Knoxville Utilities Board (the "Board") of the City of Knoxville, Tennessee (the "City") is pleased to enclose for your consideration a report entitled "Plan of Refunding" dated January 20, 2015. This report is being delivered to you to comply with Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

**Entity Information:**

(A) Knoxville Utilities Board, governed by Board of Commissioners, on behalf of the City of Knoxville, Tennessee, governed by the City Council, pursuant to the City's Charter, the Board has full legal authority and control all aspects of the issuance of the proposed refunding debt.

(B) Madeline Rogero, Mayor  
P.O. Box 1631 Knoxville, TN 37901

Mintha Roach, KUB CEO  
445 South Gay Street Knoxville, TN 37902  
Mark Walker, KUB CFO (865) 594-7418  
445 South Gay Street Knoxville, TN 37902  
E-Mail address: [mintha.roach@kub.org](mailto:mintha.roach@kub.org) and [mark.walker@kub.org](mailto:mark.walker@kub.org)

(C) Contacts for additional information:  
Financial Advisor: Cumberland Securities Company, Inc. (865-988-2663)  
Joe Ayres: [joe.ayres@cumberlandsecurities.com](mailto:joe.ayres@cumberlandsecurities.com) and  
Scott P. Gibson: [scott.gibson@cumberlandsecurities.com](mailto:scott.gibson@cumberlandsecurities.com)

**Timing Information:**

(A) March 3, 2015 regularly scheduled City Council Meeting

**Specific Request for:**

- (A) The Board on behalf of the City hereby requests a Report from the Office of State and Local Finance on the enclosed Plan of Refunding pursuant to Chapter 34, Title 7 and Chapter 21, Title 9 Tennessee Code Annotated.

The City is proposing to refinance the following outstanding obligations: Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 in the principal amount of \$22,225,000 (the "Series T-2007 Bonds").

The enclosed Plan of Refunding outlines the projected structure based upon current market conditions. To maximize flexibility the City's bond resolution will be drafted to authorize the refunding of all or any portion of the above referenced debt. Therefore, the final structure and sizing could vary from the enclosed request based on the final structure of the proposed Bonds.

The City Council is scheduled to meet on Tuesday, March 3, 2015 to discuss the Plan of Refunding and other documents related to this refinancing plan.

If you have any questions or need any additional information with respect to this financing, please do not hesitate to contact me or our Financial Advisor, Mr. Joe Ayres or Mr. Scott P. Gibson at Cumberland Securities Company, Inc. (865-988-2663) at your earliest convenience.

Very truly yours,



**Mintha Roach**  
President and CEO

cc: Mayor Madeline Rogero  
Mr. Joe Ayres  
Mr. Mark Mamantov

Enclosure

## **Plan of Refunding – Water System**

### **Knoxville Utilities Board / City of Knoxville, Tennessee**

**A) Identification of Key Professionals (including financial advisors, bond counsel, underwriters, or lenders) who have provided advice or proposals on which the Entity relied to prepare the Plan):**

1. Underwriter: Determined at Competitive Public Sale
2. Bond Counsel: Bass, Berry & Sims
3. Financial Advisor: Cumberland Securities Company, Inc.

**B) Purpose(s) of Refunding, including parameters:**

1. **Cost Savings: include a projection of the savings and amortization schedules for both refunding and refunded debt:**
  - a. See attached Preliminary Refunding Analysis page 1.
2. **Restructuring: provide a comparison of existing and proposed structures, describing why debt is being restructured:**
  - a. N/A
3. **Covenant change: Clearly describe covenant to be eliminated or revised and any change in the structure:**
  - a. N/A
4. **Reduction or elimination of risk: describe risk to be reduced or eliminated:**
  - a. The proposed refunded bonds are fixed rate and will be refunded with fixed rate bonds, therefore, there will be no change in risk.

**C) Statement that the proposed refunding complies with the Entity's adopted debt management policy and a description of how the transaction is consistent with the policy, including any savings threshold. If there is no adopted policy or the transaction is not consistent, the Entity shall provide a detailed explanation.**

1. KUB adopted a debt management policy on November 17, 2011 and amended the policy on September 20, 2012. The proposed structure does have savings in excess of 3% and does not extend debt past the original life of the issue which is consistent with the KUB debt management policy. Additionally, the proposed debt is traditional fixed rate debt and is the preferred form of debt under KUB's debt management policy.

**D) Other Information**

1. **Amortization schedules for both (proposed) refunding and (outstanding) debt to be refunded,**
  - a. Proposed refunding debt schedule: See attached Preliminary Refunding Analysis pages 3 and 4.
  - b. Outstanding debt schedule(s): See attached Preliminary Refunding Analysis page 2.

**As well as the following:**

2. **Refunding Debt:**
  - a. **Maximum size to be authorized by the governing body, identifying all outstanding debt that could be included in the refunding:**

- i. Maximum size authorized by governing body = \$24,500,000. To refund the Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 in the principal amount of \$22,225,000 (the "Series T-2007 Bonds").
  - b. Anticipated Size = \$24,400,000
  - c. **Anticipated final maturity and weighted average maturity. If the final maturity is extended beyond the fiscal year of final maturity of debt to be refunded or the weighted average maturity is increased, list the projects as required below for refunded debt:**
    - i. Final Maturity = 3/1/2033 expected (Same as refunded Debt)
    - ii. Weighted Average Maturity = 11.712 Years (Less Than Refunded Debt)
  - d. **Estimated Breakdown of Costs of Issuance:** See attached Preliminary Refunding Analysis page 7.
  - e. **Estimated Sources and Uses of Funds:** See attached Preliminary Refunding Analysis page 5.
- 3. **Refunded Debt: Information must be provided with respect to each debt issue to be refunded; (if all currently outstanding debt will not be refunded, identify maturities that are candidates for refunding).**
  - a. **Name of issue, type of debt, original terms, including whether the debt is federally tax-exempt or taxable.**
    - i. Water System Revenue Bonds, Series T-2007, dated November 1, 2007, maturing March 1, 2018 through March 1, 2033 in the principal amount of \$22,225,000 (the "Series T-2007 Bonds"). The Series T-2007 Bonds are tax-exempt, fixed-rate debt, with a final maturity on March 1, 2033.
  - b. **Date of issue and copy of CT-0253 filed.**
    - i. Date of Issue = November 1, 2007. The CT-0253 was filed with the Office of State and Local Finance in connection with the issue of the Series T-2007 Bonds.
  - c. **Date of authorization by the governing body.**
    - i. The Series T-2007 Bonds were authorized by the City's governing body on August 28, 2007.
  - d. **Whether bank-qualified or under other small issuer exception.**
    - i. No
  - e. **Projects funded with proceeds of issue and remaining average life of projects (if final maturity or weighted average maturity of debt is extended).**
    - i. The purpose of the Series T-2007 Bonds being refunded was to provide funds to pay the costs of the construction, renovation, extension and improvements to the System; and to pay costs incident to the issuance and sale of the Series T-2007 Bonds. The average life of the proposed refunding bonds will not be longer than the average remaining life of the assets financed.
  - f. **Derivative product, if any, and copy of Report of Compliance:**
    - 1.) There is no derivative agreement associated with the Series T-2007 Bonds.

**Knoxville Utilities Board**  
of the  
**City of Knoxville, Tennessee**

**Preliminary  
Refunding Analysis  
Water System**

As of January 20, 2015

Prepared By:

**Cumberland Securities Company, Inc.**

Independent Financial Advisors  
813 S. Northshore Drive, Suite 201A  
Knoxville, Tennessee 37919  
Telephone: (865) 988-2663  
Facsimile: (865) 988-1863



**CUMBERLAND SECURITIES**

**Knoxville Utilities Board**  
**Preliminary Refunding Analysis**  
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**\$24,400,000**  
 City of Knoxville, Tennessee / Knoxville Utilities Board  
 Water System Revenue Refunding Bonds, Series BB-2015

**Estimated Savings Analysis**

Date	Principal	Coupon	Interest	Total P+I	Refunded D/S	Estimated Savings
06/30/2015	-	-	-	-	-	-
06/30/2016	310,000.00	0.500%	574,575.65	884,575.65	986,768.76	102,193.11
06/30/2017	255,000.00	0.750%	627,165.00	882,165.00	986,768.76	104,603.76
06/30/2018	1,060,000.00	1.000%	625,252.50	1,685,252.50	1,786,768.76	101,516.26
06/30/2019	1,050,000.00	1.250%	614,652.50	1,664,652.50	1,767,768.76	103,116.26
06/30/2020	1,080,000.00	1.500%	601,527.50	1,681,527.50	1,784,768.76	103,241.26
06/30/2021	1,085,000.00	1.750%	585,327.50	1,670,327.50	1,774,768.76	104,441.26
06/30/2022	1,115,000.00	2.000%	566,340.00	1,681,340.00	1,787,643.76	106,303.76
06/30/2023	1,150,000.00	2.150%	544,040.00	1,694,040.00	1,798,456.26	104,416.26
06/30/2024	1,185,000.00	2.250%	519,315.00	1,704,315.00	1,805,956.26	101,641.26
06/30/2025	1,215,000.00	2.450%	492,652.50	1,707,652.50	1,811,331.26	103,678.76
06/30/2026	1,245,000.00	2.550%	462,885.00	1,707,885.00	1,814,031.26	106,146.26
06/30/2027	1,275,000.00	2.650%	431,137.50	1,706,137.50	1,810,843.76	104,706.26
06/30/2028	1,280,000.00	2.750%	397,350.00	1,677,350.00	1,780,343.76	102,993.76
06/30/2029	1,285,000.00	2.850%	362,150.00	1,647,150.00	1,751,750.00	104,600.00
06/30/2030	1,315,000.00	3.100%	325,527.50	1,640,527.50	1,745,500.00	104,972.50
06/30/2031	2,750,000.00	3.250%	284,762.50	3,034,762.50	3,137,000.00	102,237.50
06/30/2032	2,815,000.00	3.350%	195,387.50	3,010,387.50	3,113,250.00	102,862.50
06/30/2033	2,930,000.00	3.450%	101,085.00	3,031,085.00	3,135,000.00	103,915.00
<b>Total</b>	<b>\$24,400,000.00</b>	<b>-</b>	<b>\$8,311,133.15</b>	<b>\$32,711,133.15</b>	<b>\$34,578,718.88</b>	<b>\$1,867,585.73</b>

<b>Net Present Value Benefit</b>	<b>\$1,467,001.01</b>
Net PV Benefit / \$22,225,000 Refunded Principal	6.601%
Dated	4/02/2015
First Coupon Date	9/01/2015
Weighted Average Maturity	11.712 Years
Bond Yield for Arbitrage Purposes	2.8761580%
Average Coupon	2.9082899%
Bond Year Dollars	\$285,773.89
True Interest Cost (TIC)	2.9536403%

**\$25,000,000**  
**Knoxville Utilities Board**  
**Water System Revenue Bonds, Series T-2007**

**Debt Service To Maturity And To Call**

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
09/01/2015	-	493,384.38	493,384.38	-	-	493,384.38	493,384.38
03/01/2016	-	493,384.38	493,384.38	-	5.500%	493,384.38	493,384.38
09/01/2016	-	493,384.38	493,384.38	-	-	493,384.38	493,384.38
03/01/2017	22,225,000.00	493,384.38	22,718,384.38	-	5.500%	493,384.38	493,384.38
09/01/2017	-	-	-	-	-	493,384.38	493,384.38
03/01/2018	-	-	-	800,000.00	5.500%	493,384.38	1,293,384.38
09/01/2018	-	-	-	-	-	471,384.38	471,384.38
03/01/2019	-	-	-	825,000.00	4.000%	471,384.38	1,296,384.38
09/01/2019	-	-	-	-	-	454,884.38	454,884.38
03/01/2020	-	-	-	875,000.00	4.000%	454,884.38	1,329,884.38
09/01/2020	-	-	-	-	-	437,384.38	437,384.38
03/01/2021	-	-	-	900,000.00	4.125%	437,384.38	1,337,384.38
09/01/2021	-	-	-	-	-	418,821.88	418,821.88
03/01/2022	-	-	-	950,000.00	4.125%	418,821.88	1,368,821.88
09/01/2022	-	-	-	-	-	399,228.13	399,228.13
03/01/2023	-	-	-	1,000,000.00	4.250%	399,228.13	1,399,228.13
09/01/2023	-	-	-	-	-	377,978.13	377,978.13
03/01/2024	-	-	-	1,050,000.00	4.250%	377,978.13	1,427,978.13
09/01/2024	-	-	-	-	-	355,665.63	355,665.63
03/01/2025	-	-	-	1,100,000.00	4.300%	355,665.63	1,455,665.63
09/01/2025	-	-	-	-	-	332,015.63	332,015.63
03/01/2026	-	-	-	1,150,000.00	4.625%	332,015.63	1,482,015.63
09/01/2026	-	-	-	-	-	305,421.88	305,421.88
03/01/2027	-	-	-	1,200,000.00	4.625%	305,421.88	1,505,421.88
09/01/2027	-	-	-	-	-	277,671.88	277,671.88
03/01/2028	-	-	-	1,225,000.00	4.375%	277,671.88	1,502,671.88
09/01/2028	-	-	-	-	-	250,875.00	250,875.00
03/01/2029	-	-	-	1,250,000.00	4.500%	250,875.00	1,500,875.00
09/01/2029	-	-	-	-	-	222,750.00	222,750.00
03/01/2030	-	-	-	1,300,000.00	4.500%	222,750.00	1,522,750.00
09/01/2030	-	-	-	-	-	193,500.00	193,500.00
03/01/2031	-	-	-	2,750,000.00	4.500%	193,500.00	2,943,500.00
09/01/2031	-	-	-	-	-	131,625.00	131,625.00
03/01/2032	-	-	-	2,850,000.00	4.500%	131,625.00	2,981,625.00
09/01/2032	-	-	-	-	-	67,500.00	67,500.00
03/01/2033	-	-	-	3,000,000.00	4.500%	67,500.00	3,067,500.00
<b>Total</b>	<b>\$22,225,000.00</b>	<b>\$1,973,537.52</b>	<b>\$24,198,537.52</b>	<b>\$22,225,000.00</b>	<b>-</b>	<b>\$12,353,718.88</b>	<b>\$34,578,718.88</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation.....	4/02/2015
Average Life.....	12.377 Years
Average Coupon.....	4.4599649%
Weighted Average Maturity (Par Basis).....	12.377 Years

**Refunding Bond Information**

Refunding Dated Date.....	4/02/2015
Refunding Delivery Date.....	4/02/2015

Cumberland Securities Company, Inc.  
Tennessee Public Finance - SPG

**\$24,400,000**  
**City of Knoxville, Tennessee / Knoxville Utilities Board**  
**Water System Revenue Refunding Bonds, Series BB-2015**

**Estimated Debt Service**

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/02/2015	-	-	-	-	-
09/01/2015	-	-	260,218.15	260,218.15	-
03/01/2016	310,000.00	0.500%	314,357.50	624,357.50	-
06/30/2016	-	-	-	-	884,575.65
09/01/2016	-	-	313,582.50	313,582.50	-
03/01/2017	255,000.00	0.750%	313,582.50	568,582.50	-
06/30/2017	-	-	-	-	882,165.00
09/01/2017	-	-	312,626.25	312,626.25	-
03/01/2018	1,060,000.00	1.000%	312,626.25	1,372,626.25	-
06/30/2018	-	-	-	-	1,685,252.50
09/01/2018	-	-	307,326.25	307,326.25	-
03/01/2019	1,050,000.00	1.250%	307,326.25	1,357,326.25	-
06/30/2019	-	-	-	-	1,664,652.50
09/01/2019	-	-	300,763.75	300,763.75	-
03/01/2020	1,080,000.00	1.500%	300,763.75	1,380,763.75	-
06/30/2020	-	-	-	-	1,681,527.50
09/01/2020	-	-	292,663.75	292,663.75	-
03/01/2021	1,085,000.00	1.750%	292,663.75	1,377,663.75	-
06/30/2021	-	-	-	-	1,670,327.50
09/01/2021	-	-	283,170.00	283,170.00	-
03/01/2022	1,115,000.00	2.000%	283,170.00	1,398,170.00	-
06/30/2022	-	-	-	-	1,681,340.00
09/01/2022	-	-	272,020.00	272,020.00	-
03/01/2023	1,150,000.00	2.150%	272,020.00	1,422,020.00	-
06/30/2023	-	-	-	-	1,694,040.00
09/01/2023	-	-	259,657.50	259,657.50	-
03/01/2024	1,185,000.00	2.250%	259,657.50	1,444,657.50	-
06/30/2024	-	-	-	-	1,704,315.00
09/01/2024	-	-	246,326.25	246,326.25	-
03/01/2025	1,215,000.00	2.450%	246,326.25	1,461,326.25	-
06/30/2025	-	-	-	-	1,707,652.50
09/01/2025	-	-	231,442.50	231,442.50	-
03/01/2026	1,245,000.00	2.550%	231,442.50	1,476,442.50	-
06/30/2026	-	-	-	-	1,707,885.00
09/01/2026	-	-	215,568.75	215,568.75	-
03/01/2027	1,275,000.00	2.650%	215,568.75	1,490,568.75	-
06/30/2027	-	-	-	-	1,706,137.50
09/01/2027	-	-	198,675.00	198,675.00	-
03/01/2028	1,280,000.00	2.750%	198,675.00	1,478,675.00	-
06/30/2028	-	-	-	-	1,677,350.00
09/01/2028	-	-	181,075.00	181,075.00	-
03/01/2029	1,285,000.00	2.850%	181,075.00	1,466,075.00	-
06/30/2029	-	-	-	-	1,647,150.00
09/01/2029	-	-	162,763.75	162,763.75	-
03/01/2030	1,315,000.00	3.100%	162,763.75	1,477,763.75	-
06/30/2030	-	-	-	-	1,640,527.50

**\$24,400,000**  
**City of Knoxville, Tennessee / Knoxville Utilities Board**  
**Water System Revenue Refunding Bonds, Series BB-2015**

**Estimated Debt Service**

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
09/01/2030	-	-	142,381.25	142,381.25	-
03/01/2031	2,750,000.00	3.250%	142,381.25	2,892,381.25	-
06/30/2031	-	-	-	-	3,034,762.50
09/01/2031	-	-	97,693.75	97,693.75	-
03/01/2032	2,815,000.00	3.350%	97,693.75	2,912,693.75	-
06/30/2032	-	-	-	-	3,010,387.50
09/01/2032	-	-	50,542.50	50,542.50	-
03/01/2033	2,930,000.00	3.450%	50,542.50	2,980,542.50	-
06/30/2033	-	-	-	-	3,031,085.00
<b>Total</b>	<b>\$24,400,000.00</b>	<b>-</b>	<b>\$8,311,133.15</b>	<b>\$32,711,133.15</b>	<b>-</b>

**Date And Term Structure**

Dated.....	4/02/2015
First Coupon Date.....	9/01/2015
Frequency of Interest Payments.....	2 Per Year
First Serial Maturity Date.....	3/01/2016

**Yield Statistics**

Average Coupon.....	2.9082899%
Weighted Average Maturity.....	11.712 Years
Bond Year Dollars.....	\$285,773.89
Bond Yield for Arbitrage Purposes.....	2.8761580%
True Interest Cost (TIC).....	2.9536403%

**\$24,400,000**

**City of Knoxville, Tennessee / Knoxville Utilities Board  
Water System Revenue Refunding Bonds, Series BB-2015**

**Estimated Sources & Uses**

Dated 04/02/2015 | Delivered 04/02/2015

**Estimated Sources Of Funds**

Par Amount of Bonds..... \$24,400,000.00

**Estimated Total Sources..... \$24,400,000.00**

**Estimated Uses Of Funds**

Estimated Total Underwriter's Discount (Final Discount determined when bids are calculated\*)..... 185,271.86

Estimated Costs of Issuance..... 183,000.00

Estimated Deposit to Net Cash Escrow Fund..... 24,031,728.14

**Estimated Total Uses..... \$24,400,000.00**

\* Bids are award based on the lowest True Interest Cost (TIC).

True Interest Cost is a method of computing the interest expense to the issuer of bonds, true interest cost is defined as the rate, compounded semi-annually, necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the new issue of bonds. Purchase price is affected by the amount of underwriter's discount the buyer utilizes.

**\$24,400,000**  
City of Knoxville, Tennessee / Knoxville Utilities Board  
Water System Revenue Refunding Bonds, Series BB-2015

**Estimated Escrow Fund Cashflow**

Date	Principal	Rate	Interest	Receipts	Disbursements	Cash Balance
04/02/2015	-	-	-	0.14	-	0.14
09/01/2015	457,310.00	0.030%	36,074.62	493,384.62	493,384.38	0.38
03/01/2016	449,333.00	0.110%	44,051.37	493,384.37	493,384.38	0.37
09/01/2016	449,784.00	0.230%	43,600.32	493,384.32	493,384.38	0.31
03/01/2017	22,675,301.00	0.380%	43,083.07	22,718,384.07	22,718,384.38	-
<b>Total</b>	<b>\$24,031,728.00</b>	<b>-</b>	<b>\$166,809.38</b>	<b>\$24,198,537.52</b>	<b>\$24,198,537.52</b>	<b>-</b>

**Investment Parameters**

Investment Model [PV, GIC, or Securities].....	Securities
Default investment yield target.....	Bond Yield
Cash Deposit.....	0.14
Cost of Investments Purchased with Bond Proceeds.....	24,031,728.00
Total Cost of Investments.....	<b>\$24,031,728.14</b>
Target Cost of Investments at bond yield.....	<b>\$22,952,167.89</b>
Actual positive or (negative) arbitrage.....	<b>(1,079,560.25)</b>
Yield to Receipt.....	<b>0.3737295%</b>
Yield for Arbitrage Purposes.....	<b>2.8761580%</b>
State and Local Government Series (SLGS) rates for.....	<b>1/16/2015</b>

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**\$24,400,000**  
City of Knoxville, Tennessee / Knoxville Utilities Board  
Water System Revenue Refunding Bonds, Series BB-2015

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**Estimated Detail Costs Of Issuance**

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Dated 04/02/2015 | Delivered 04/02/2015

**ESTIMATED COSTS OF ISSUANCE DETAIL**

Financial Advisor.....	\$65,000.00
Bond Counsel.....	\$55,000.00
Paying Agent Origination.....	\$1,250.00
Rating Agency Fee - Moody's.....	\$25,000.00
Rating Agency Fee - S&P.....	\$25,000.00
POS/Official Statement.....	\$5,750.00
I-Deal.....	\$1,000.00
Miscellaneous.....	\$5,000.00
<b>ESTIMATED TOTAL.....</b>	<b>\$183,000.00</b>

Issuer's No. \_\_\_\_\_  
(To be filled out by State)

**REPORT ON DEBT OBLIGATION**  
(Pursuant to Chapter 402, Public Acts of 1989)

**1. Issuer:**

Name Knoxville Utilities Board

Address Attn: President & CEO  
445 Gay Street  
Knoxville, Tennessee 37902

**2. Debt Obligation:**

<input checked="" type="checkbox"/>	a. Bond
<input type="checkbox"/>	b. CON
<input type="checkbox"/>	c. BAN
<input type="checkbox"/>	d. GAN
<input type="checkbox"/>	e. Lease/Lease Purchase
<input type="checkbox"/>	f. Loan Agreement

**5. Face Amount of Debt Obligation:** \$25,000,000

**6. Type of Sale:**

<input checked="" type="checkbox"/>	a. Competitive Public Sale
<input type="checkbox"/>	b. Negotiated
<input type="checkbox"/>	c. Loan Program _____

specify

**3. Security for Debt Obligation:**

<input type="checkbox"/>	a. General Obligation
<input type="checkbox"/>	b. General Obligation Revenue and Tax
<input checked="" type="checkbox"/>	c. Revenue
<input type="checkbox"/>	d. Annual Appropriations

**7. Tax Status**

a.  Tax Exempt      b.  Taxable

**8. Dated Date:** November 1, 2007

**9. Issue Date (Closing Date):** November 1, 2007

**4. Purpose of Issue**      **Percent 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 type="checkbox"/>	i. Airports	_____
<input checked="" type="checkbox"/>	j. Utilities	_____
<input checked="" type="checkbox"/>	i. Water	<u>100%</u>
<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. Rating:**

a. Moody's "Aaa" (FSA)  
b. Standard & Poor's "AAA" (FSA)  
c. Unrated \_\_\_\_\_

**11. Interest Cost:**

4.5364083%

<input checked="" type="checkbox"/>	a. TIC
<input type="checkbox"/>	b. NIC
<input type="checkbox"/>	c. Variable
<input type="checkbox"/>	d. Other

**12. Recurring Costs:**

a. Remarketing Agent Fees \$ \_\_\_\_\_

b. Liquidity Fees \$ \_\_\_\_\_

c. Credit Enhancement Fees \$ \_\_\_\_\_

SEE REVERSE SIDE

**13. Maturity Dates, Amounts and Interest Rates**

Year	Amount	Interest Rate
2014	\$650,000	4.00%
2015	675,000	5.50%
2016	700,000	5.50%
2017	750,000	5.50%
2018	800,000	5.50%
2019	825,000	4.00%
2020	875,000	4.00%
2021	900,000	4.125%
2022	950,000	4.125%
2023	1,000,000	4.25%
2024	1,050,000	4.25%

Year	Amount	Interest Rate
2025	\$1,100,000	4.30%
2026	1,150,000	4.625%
2027	1,200,000	4.625%
2028	1,225,000	4.375%
	TERM BONDS	
2030	\$2,550,000	4.50%
2033	8,600,000	4.50%

If additional space is needed, attach additional sheet.

**14. Itemized Description of the Cost of Issuance**

		Name of Firm
a. Financial Advisor Fees*	\$40,000	Morgan Keegan & Company, Inc.
b. Legal Fees		
i. Bond Counsel	\$20,000	Bass, Berry & Sims PLC
ii. Issuer's Counsel		
iii. Trustee's Counsel		
iv. Verification Fee		
c. Paying Agent Fees and Registration Fees	\$250	Regions Bank
d. Trustee Fees		
e. Remarketing Agent Fees		
f. Liquidity Fees		
g. Rating Agency Fees	\$24,900	Moody's, Standard & Poor's
h. Credit Enhancement Fees	\$78,300	Financial Security Assurance Inc. (paid by Underwriter)
i. Underwriter's Discount(%)	\$114,233	UBS Securities LLC
i. Take Down		
ii. Management Fee		
iii. Risk Premium		
iv. Underwriter's Counsel		
v. Other Expenses		
j. Printing and Advertising Fees	\$6,000	Knoxville News-Sentinel, Bond Buyer, Print Shop, CUSIP
k. Issuer Fees		
l. Real Estate Fees		
m. Other Costs	\$1,500	structuring, postage, Fed Ex, document production, etc.
n. Total Costs	\$285,183	

\* If other costs are included, please itemize.

Note: Please enclose a copy of the DISCLOSURE DOCUMENT or OFFICIAL STATEMENT if one was developed.

15

Muxida Roach  
Authorized Representative

President & CEO

Title

November 1, 2007

Date

/s/ Joseph K. Ayres

Preparer

Managing Director

Title

Morgan Keegan & Company, Inc.

Firm

November 1, 2007

Date

SEND TO: Comptroller of the Treasury, Director-Division of Local Finance, Suite 1700, 505 Deaderick Street, James K. Polk State Office Building, Nashville, Tennessee 37243-0274

**Knoxville Utilities Board  
Board Meeting  
Minutes  
Thursday, January 15, 2015, Noon**

**Call to Order**

The Knoxville Utilities Board met in regular session in the Larry A. Fleming Board Room at 445 S. Gay Street, on Thursday, January 15, 2015, pursuant to the public notice published in the January 10, 2015, edition of the *News Sentinel*. Chair Anderson called the meeting to order at 12:00 p.m.

**Roll Call**

Commissioners Present: Bruce Anderson, Kathy Hamilton, Celeste Herbert, Nikitia Thompson, and Eston Williams

Commissioners Absent: Sara Hedstrom Pinnell

**Approval of Minutes**

The Minutes of the December 18, 2014, Board Meeting were approved as distributed upon motion by Commissioner Williams, and second by Commissioner Herbert.

**Old Business**

None

**New Business**

Chair Anderson recognized Meridith Worden, and James and Kathleen Thompson, Commissioner-elect John Worden's spouse and father and mother-in-law respectively, in the audience and thanked them for attending.

**Oath of Office for John Worden**

Chair Anderson welcomed John Worden and asked Bill Coley, Board's General Counsel, to administer the Oath of Office to Mr. Worden.

January 15, 2015

## **Election of 2015 Officers**

Mr. Coley stated that the Nominating Committee met on December 18, 2014, and recommended the following slate of officers for 2015: Nikitia Thompson, Chair; Kathy Hamilton, Vice Chair; and Senior Vice President and CFO Mark Walker as Board Secretary. He asked for other nominations, hearing none, Commissioner Herbert seconded the Nominating Committee's recommendation and the slate of officers nominated by the Nominating Committee was elected by unanimous voice vote.

Commissioner Anderson turned the meeting over to Chair Thompson who thanked Commissioner Anderson for his leadership as Board Chair for the past two years.

**Resolution 1323**, A Resolution Requesting the City Council of the City of Knoxville to Pass a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2014 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions

President Roach recommended adoption of Resolution 1323 on first and final reading. Her written recommendation is included in Attachment 1.

President Roach recognized Chris Hood, Manager of Accounting, who reviewed the proposed tax equivalent payments and distribution of payments for the electric and gas systems for fiscal year 2015. He advised that state law requires that City Council adopt a resolution setting the amount of the electric and gas payments and providing for their distribution. Mr. Hood noted that the proposed electric and gas payments were the maximum amounts permitted by state law.

Upon a motion by Commissioner Williams and a second by Commissioner Hamilton, Resolution 1323 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted "aye": Anderson, Hamilton, Herbert, Thompson, Williams, and Worden. No Commissioner voted "nay".

## **President's Report**

### **Board By-Laws and Board Ethics Disclosure**

President Roach recognized Elba Marshall, Manager of Executive Services, to review the proposed changes to the Board's by-laws as well as to review the annual disclosure requirement of the Board.

January 15, 2015

**Natural Gas Update**

Chair Thompson recognized Paul Randolph, Vice President, to provide an update on the South Loop Natural Gas Project and the Natural Gas System.

**Other Business**

None

**Adjournment**

Chair Thompson stated that following adjournment, the Board would continue with an open lunch session where KUB matters may be discussed. There being nothing further to come before the Board, Chair Thompson declared the meeting adjourned at 12:40 p.m.

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Nikitia Thompson, Chair

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Mark Walker, Board Secretary

**Attachments**

Attachment 1	Recommendation Letter and Resolution 1323, A Resolution Requesting the City Council of the City of Knoxville to Pass a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2014 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions	<b><u>Page(s)</u></b> 6453 - 6458
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Knoxville Utilities Board

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January 9, 2015

Knoxville Utilities Board  
445 S. Gay Street  
Knoxville, Tennessee 37902-1109

Commissioners:

State law requires City Council, as the municipality's governing body, to pass a resolution setting the in lieu of tax payments (tax equivalents) for KUB's electric and gas systems each fiscal year and providing for their distribution to the appropriate taxing jurisdictions.

Tax equivalents for the electric system for Fiscal Year 2015 are \$13,309,981. Tax equivalents for the gas system for Fiscal Year 2015 are \$6,081,256. Both electric and gas tax equivalent payments are the maximum amounts permitted under state law. Electric and gas tax equivalent payments will be made to the respective taxing jurisdictions on the last business day of June. An overview of all tax equivalent payments for Fiscal Year 2015 is attached for your information.

I recommend adoption of Resolution 1323, requesting the City Council of Knoxville to set the in lieu of tax payments for KUB's electric and gas systems and to establish the allocation of payments to the various taxing jurisdictions for the fiscal year ending June 30, 2015.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Mintha E. Roach'.

Mintha E. Roach  
President and CEO

## RESOLUTION NO. 1323

### **A Resolution Requesting the City Council of the City of Knoxville to Pass a Resolution Setting the Tax Equivalent Payments for the Electric and Gas Systems for the Fiscal Year Beginning July 1, 2014 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions**

**Whereas**, in accordance with Section 1101 of the Charter of the City of Knoxville, the purchase, sale, and distribution of electric and gas services by the City of Knoxville are under the jurisdiction, control, and management of the Knoxville Utilities Board (“KUB”); and

**Whereas**, the state of Tennessee adopted electric and gas tax equivalent statutes in 1987 (TCA Sections 7-52-301 et seq. and Sections 7-39-401 et seq.) in order to gain uniformity with respect to payments in lieu of taxes on the property and operations of all electric and gas systems owned and operated by incorporated cities or towns, by counties, and by metropolitan governments in the state of Tennessee; and

**Whereas**, the statutes provide that every municipality may cause an amount to be paid from its electric and/or gas system revenues for tax equivalents which, in the judgment of the municipality’s governing body (i.e. City Council of Knoxville), after consultation with the supervisory body (i.e. KUB), represents the fair share cost of government to be borne by the electric system and/or gas system; and

**Whereas**, the statutes include formulas which establish the maximum annual tax equivalent payment for electric and gas systems; and

**Whereas**, the statutes provide the basis for the allocation and distribution of tax equivalent payments to the various taxing jurisdictions, except to the extent any such payments were allocated and distributed under established arrangements in existence immediately prior to the adoption of the statutes; and

**Whereas**, KUB had an established arrangement for the allocation and distribution of electric and gas system tax equivalent payments, as defined by the statutes, in existence immediately prior to the adoption of said statutes; and

**Whereas**, KUB has prepared a proposed resolution for passage by the City Council of Knoxville, a copy of which resolution is attached hereto and made a part hereof (hereinafter referred to as the “Proposed Resolution”).

**Now, Therefore, Be It Hereby Resolved by the Board of Commissioners of the Knoxville Utilities Board:**

**Section 1.** That the KUB Board of Commissioners (the “Board”), after due consideration, finds that it is in the best interest of KUB and the City of Knoxville to make the maximum electric and gas tax equivalent payments permitted by law for the fiscal year beginning July 1, 2014, totaling \$13,309,981 for the electric system and \$6,081,256 for the gas system (hereinafter referred to as “Tax Equivalents”).

**Section 2.** That this Board, after due consideration, finds that the following allocation and distribution of the aforesaid Tax Equivalents to the following taxing jurisdictions is required under the applicable statutes:

	<u>Electric Tax Equivalents</u>	<u>Gas Tax Equivalents</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$ 6,764,881	\$3,251,836	\$10,016,717
Knox County	5,778,737	2,825,707	8,604,444
Union County	319,995		319,995
Sevier County	255,041		255,041
Grainger County	134,961		134,961
Jefferson County	37,880		37,880
Blount County	11,020		11,020
Anderson County	7,466	2,569	10,035
Loudon County	<u>                    </u>	<u>1,144</u>	<u>1,144</u>
Total	\$13,309,981	\$6,081,256	\$19,391,237

**Section 3.** That this Board hereby formally requests City Council to pass the Proposed Resolution, and this Board does hereby adopt, ratify, approve, consent and agree to each and every recital and provision contained in the Proposed Resolution.

**Section 4.** That this Board finds that the statutory obligation for consultation with the supervisory body (KUB) will be fulfilled by the delivery of this resolution to City Council.

**Section 5.** That upon City Council’s passage of the Proposed Resolution, the President and Chief Executive Officer, or the Chief Financial Officer, is hereby authorized and directed to distribute the Tax Equivalents to the respective taxing jurisdictions in accordance with the Proposed Resolution; provided, however, that the amount of such Tax Equivalents to be paid to any taxing jurisdiction specified in the Proposed Resolution shall be appropriately reduced by the aggregate amount of any qualified state, county, city and other local taxes or charges imposed for such fiscal year by or for the benefit of such taxing jurisdiction, said reduction being required by the statutes.

**Section 6.** That the President and Chief Executive Officer is authorized to deliver copies of this Resolution to the Mayor and City Council as formal evidence of this Board’s action in connection therewith.

**Section 7.** BE IT FURTHER RESOLVED that this Resolution shall take effect from and after its passage.

Nikitia Thompson/s  
Nikitia Thompson, Chair

Mark Walker/s  
Mark Walker, Board Secretary

APPROVED ON 1<sup>st</sup>  
& FINAL READING: 1-15-15  
EFFECTIVE DATE: 1-15-15  
MINUTE BOOK 34 PAGE 6454-6458

## RESOLUTION

### **A Resolution of the Council of the City of Knoxville Setting the In Lieu of Tax Payments for the Electric and Gas Systems of the Knoxville Utilities Board for the Fiscal Year Beginning July 1, 2014 and Providing for the Allocation and Distribution of Such Payments to the Affected Taxing Jurisdictions**

**Whereas**, under the state of Tennessee electric and gas tax equivalent statutes (TCA Section 7-52-301 et seq. and Section 7-39-401 et seq.), the Council of the City of Knoxville, after consultation with the Knoxville Utilities Board (hereinafter referred to as "KUB"), may cause to be paid from KUB's Electric and Gas Divisions an amount for payments in lieu of taxes (hereinafter referred to as "Tax Equivalents") on KUB's electric and gas systems and operations which, in the judgment of City Council, shall represent the fair cost of government properly to be borne thereby; and

**Whereas**, the amount of Tax Equivalents that may be set by City Council is to be in lieu of all state, county, city and other local taxes or charges imposed on KUB's Electric and Gas Divisions for the fiscal year by the various taxing jurisdictions in which the properties of the electric and gas systems are situated, said amount being subject to a maximum limitation that may be paid for a fiscal year; and

**Whereas**, the Tax Equivalents are to be distributed to the respective taxing jurisdictions in accordance with a mandatory distribution formula or under established arrangements with taxing jurisdictions in effect immediately prior to the adoption of the statutes, both as provided for in the statutes; and

**Whereas**, KUB had established arrangements in place with taxing jurisdictions for the allocation and distribution of in lieu of tax payments on KUB's electric and gas systems immediately prior to the adoption of the statutes; and

**Whereas**, KUB, by its passage of Resolution No. 1323 on January 15, 2015, and the delivery of same to City Council, has requested City Council pass a resolution setting the Tax Equivalents for the fiscal year beginning July 1, 2014, and providing for the allocation and distribution of the Tax Equivalents to the affected taxing jurisdictions (hereinafter referred to as "Proposed Resolution"); and

**Whereas**, City Council, having consulted with KUB regarding the setting of the Tax Equivalents and the allocation and distribution thereof to the affected taxing jurisdictions, hereby finds that KUB's Proposed Resolution is in the best interests of the City of Knoxville and KUB.

**NOW THEREFORE BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF KNOXVILLE:**

**Section 1.** That pursuant to T.C.A. Sections 7-52-301 et seq. and Sections 7-39-401 et seq., the Council of the City of Knoxville hereby sets the Tax Equivalents for KUB's electric and gas systems for the fiscal year beginning July 1, 2014, at a total of \$19,391,237, representing \$13,309,981 in electric Tax Equivalents and \$6,081,256 in gas Tax Equivalents, said amounts being the maximum amount of Tax Equivalents that may be paid from KUB's Electric and Gas Divisions under law.

**Section 2.** That the aforesaid Tax Equivalents be distributed in accordance with law to the following taxing jurisdictions in the amounts specified below:

	<u>Electric Tax Equivalents</u>	<u>Gas Tax Equivalents</u>	<u>Total Tax Equivalents</u>
City of Knoxville	\$ 6,764,881	\$3,251,836	\$10,016,717
Knox County	5,778,737	2,825,707	8,604,444
Union County	319,995		319,995
Sevier County	255,041		255,041
Grainger County	134,961		134,961
Jefferson County	37,880		37,880
Blount County	11,020		11,020
Anderson County	7,466	2,569	10,035
Loudon County	<u>                    </u>	<u>1,144</u>	<u>1,144</u>
Total	\$13,309,981	\$6,081,256	\$19,391,237

**Section 3.** That the statutory obligation for City Council to consult with the supervisory body (KUB) was satisfied by the delivery of KUB Resolution No. 1323 to City Council.

**Section 4.** That KUB be and hereby is authorized and directed to aforesaid amounts of Tax Equivalents to the respective taxing jurisdictions specified above; provided, however, that the amount of such Tax Equivalents to be paid to any taxing jurisdiction shall be appropriately reduced by the aggregate amount of any qualified state, county, city and other local taxes or charges imposed for such fiscal year by or for the benefit of such taxing jurisdiction, said reduction being required by law.

**Section 5.** That this resolution shall take effect immediately upon its passage, the public welfare requiring it, and a certified copy hereof shall be delivered to the President and Chief Executive Officer of KUB as formal evidence of this Council's action in connection therewith.

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Recorder