



**Board Meeting Agenda
Thursday, June 15, 2023
Noon**

Call to Order

Roll Call

Approval of Minutes

Official Action

Resolution 1480 – A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Pension Plan

Resolution 1481 – A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Asset Accumulation 401(k) Plan

President's Report

Other Business

Public Comments

Adjournment

Note: The Chair may declare a periodic recess in these proceedings as may be necessary for comfort or convenience.



June 9, 2023

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

Commissioners:

The June 15 Board meeting agenda includes two official action items, the amendment and restatement of our Pension Plan and 401(k) Investment Policies, both of which come to the Board via a recommendation from the Audit and Finance Committee.

Resolutions 1480 and 1481

Resolutions 1480 and 1481 amend and restate the Investment Policies of KUB's Pension and 401(k) Plans, respectively.

The proposed changes to the Pension Investment Policy include the replacement and consolidation of certain asset classes. Proposed changes to the 401(k) Investment Policy provide for the potential addition of new asset classes for participant-directed investments.

The Retirement System Investment Committee, upon consultation with the system's investment advisor and counsel, recommended the proposed changes to the President and CEO. The proposed amended and restated investment policies were discussed with the Board's Audit and Finance Committee at the Committee's May 3rd meeting. The Committee adopted resolutions for each amended and restated policy recommending their adoption by the full Board.

Enclosed is a letter summarizing the proposed changes to the policies, draft and red-lined versions of the amended and restated policies, recommendation letters from the Retirement System's Investment Advisor and Counsel, and copies of the Audit Committee resolutions recommending adoption of the amended and restated policies by the Board.

Drafts of Resolutions 1480 and 1481 are also enclosed for your information. I recommend the approval of both resolutions on first and final reading.

Respectfully submitted,

A handwritten signature in black ink that reads "Gabriel Bolas".

Gabriel J. Bolas II
President and CEO



June 9, 2023

Knoxville Utilities Board
445 Gay Street
Knoxville, Tennessee 37902

KUB Retirement System – Pension and 401(k) Investment Policy Amendments

Commissioners:

Pursuant to the KUB Board-approved Investment Policies, the Pension and 401(k) funds are invested with the advice of Mercer Investment Consulting, the Plans' investment advisor, under the direction of a number of professional investment managers covering several diverse asset classes. The Investment Policies record delegations of responsibility, set broad guidelines for diversification and asset allocation, and provide for performance standards as designated in the Appendices.

The Investment Policies, intended to be dynamic in nature, are periodically revised as circumstances change. As a result of an asset liability modeling study and acting on the advice of Mercer and Bill Mason, Retirement System Counsel, the Retirement System Investment Committee, at its February 14, 2023, meeting unanimously approved a recommendation to amend the Pension Investment Policy. In addition, the Investment Committee also approved a recommendation to amend the 401(k) Investment Policy. The proposed changes are summarized below.

Pension

- The following changes are recommended at the advisement of Mercer and as a result of the asset liability modeling study to reduce the plan risk while maintaining investment returns.

| Current Asset Class | | New Asset Class |
|--|---|----------------------------------|
| REITs | → | U.S. Core Real Estate |
| Convertibles | → | Multi Asset Credit |
| Long Duration Fixed Income Core Fixed Income | → | Fixed Income |
| Small Cap Domestic Equity Mid Cap Domestic Equity | → | Small Cap Mid Cap SMID Cap |

- Allow for the plan to shift to 60% growth assets/40% defensive assets from current 70%/30% split, when the Present Value of Benefits (PVB) funding ratio reaches 95%, after notifying the CEO & Audit and Finance Committee.
- Modernize the document by simplifying the investment guidelines by asset class and defining the Target Allocation table by growth and defensive assets.
- Allow Investment Advisor to conduct annual review meetings with investment managers without Retirement Staff present.
- Other housekeeping items

401(k)

- Add Cash Equivalents, ESG (Environmental, Social, & Governance), and Inflation Sensitive to the Investment Policy as asset classes for potential future investment.
- Align Investment Option Structure to conform with peers and Mercer's best practices by adding flexible language to allow the Plan to invest in all or some of the asset classes included in the Investment Policy.
- Allow for active or passive investment in each asset class.
- Update the Managed Income Portfolio benchmark to the FTSE 3-month T-Bill, which is a more appropriate benchmark in a rising rate environment and move the aspirational T-Bill + 1% to a secondary benchmark.
- Other housekeeping items

In accordance with Resolution 979, as amended, which established the KUB Retirement System, the Investment Policies may only be amended upon approval of the Board. Attached are amended versions of the Pension and 401(k) Investment Policies, along with a recommendation letter from Stephen Pola, Mercer and a letter from Bill Mason, Retirement System counsel, advising that the proposed action is legally satisfactory.

The recommended Investment Policies were discussed with and approved by the Board's Audit and Finance Committee at its meeting on May 3. The Committee adopted Resolution AF-92 and Resolution AF-93, which are enclosed, recommending the Board amend the Policies to reflect the proposed changes. Red-lined versions of the Policies highlighting the proposed changes are also enclosed for your review.

Please let me know if you have any questions.

Respectfully submitted,



Gabriel J. Bolas II
President and CEO

Enclosures

c: Chris Hood, Chair, KUB Retirement System Investment Committee



March 7, 2023

Gabriel J. Bolas II
President & CEO
Knoxville Utilities Board
445 Gay Street
Knoxville, TN 37902

Re: KUB Pension and 401(k) Plan – Amendments to Investment Policy Statements
and Appendices

Dear Mr. Bolas:

We advised the KUB Retirement System Investment Committee in connection with its unanimous February 14, 2023, recommendations based on the advice of the investment consultant that: the KUB Board of Commissioners approve amendments and restatements of both the Pension and the 401(k) Plan Investment Policy Statements effective July 1, 2023; and you approve the interim update to the Appendix to the current Pension Investment Policy after due notice to the Audit and Finance Committee.

In our opinion, pursuant to the Resolution establishing the Retirement System, the Board reserved authority to adopt the recommended amendments to the Investment Policies. Under that Resolution and the current Pension Investment Policy, you are authorized to adopt the recommended interim changes to the Pension Appendix.

With the Board's approval, it is our opinion that the amendments to the Investment Policies will comply with Federal and State law and will not adversely affect the tax qualified status of either Plan. It is also our opinion that, with your approval after notice to the Audit Committee, the updates to the Pension Appendix will comply with applicable law and not adversely affect the qualified status of the Pension.

If there are questions, please let me know.

Sincerely,

A handwritten signature in blue ink that reads 'William E. Mason'.

William E. Mason
For the Firm

Cc: Chris Hood

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welcome to brighter

Memo

To: Gabriel Bolas II
Date: March 10, 2023
From: Stephen Pola
Subject: Investment Committee Recommendations – Investment Policy Statement Changes
Copy: Amanda Branch, Chris Hood, William E. Mason, Esq.

Dear Mr. Bolas,

Following the Asset Liability Modeling conducted in 2022, Mercer made several asset class recommendations to the investment committee as a result of Mercer's findings. These recommendations are designed to help diversify inherent risk while maintaining long term expected returns. For the pension plan, these include the following:

- Replace dedicated REITs exposure with U.S. Core Real Estate, which may include REITs or private real estate funds.
- Replace dedicated convertibles with Multi-Asset Credit (MAC), which may include convertibles, high yield bonds, senior secured floating rate loans, sovereign and corporate bonds
- Consolidation of Long Duration and Core Fixed Income and transition of 20% Long Duration to Core

Additionally, Mercer advised the investment committee to include language within the investment policy statement to include the ability to shift the pension plan's current growth/defensive asset split to 60% growth/ 40% defensive assets when PVB funded status reaches 95% upon notification to the CEO and Audit Committee. To help facilitate this change, the target allocation table was moved to a separate schedule for when the funded status reaches 95%.

In addition to the Asset Liability Modeling findings, Mercer also recommended the consolidation of the dedicated Small and Mid-Cap domestic equity mandates to a singular SMID mandate, which may include Small, Mid, or SMID funds. The Pension Investment Policy Statement Appendix will also incorporate a benchmark update for MFS International Equities from the MSCI EAFE Value to MSCI EAFE (net). The latter is the core international equities benchmark and better suits the investment style of the MFS strategy. Finally, the annual manager review meeting with Investment Managers will be optional for Retirement Staff, but still required with the Investment Consultant.

Separately, the Investment Policy Statement for the 401(k) plan was updated to bring some of the language in line with broad defined contribution market trends. This includes more flexible asset class language, e.g. "The plan will offer Funds...in all or some of following asset classes/categories:" Mercer recommended to include language around cash equivalents, Environmental, Social, and Governance (ESG), and Inflation Sensitive asset classes for potential future consideration. Finally, the language was updated to allow for active or passive options in each asset class.

The 401(k) Investment Policy Appendix included one update to the Fidelity Managed Income Portfolio benchmark, moving the primary benchmark from the aspirational T-Bill + 1% to the FTSE 3-mo. T-Bill. The T-Bill + 1% will now be the secondary benchmark. Given the current movement in interest rates, the FTSE 3-month T-Bill benchmark gives a representative comparison for the plan's capital preservation option. The aspirational benchmark should be used as a long-term performance measure.

Mercer concurs with the Investment Committee's recommendation to update the Investment Policy Statement for both the pension plan and 401(k) plan, as outlined above.

Please feel free to contact me if you have any questions or comments.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stephen Pola", with a long horizontal flourish extending to the right.

Stephen Pola
Investment Consultant

RESOLUTION NO. 1480

A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Pension Plan

Whereas, the Knoxville Utilities Board of Commissioners (“Board”) previously adopted Resolution 979, as amended, establishing the KUB Retirement System, which includes a Pension Plan (“Plan”); and the Plan has an Investment Policy (“Policy”), previously approved by the Board, relating to the participant-directed investment of Plan accounts; and

Whereas, the Policy is intended to be dynamic in nature and updated and revised as circumstances change; and through Resolution No. 979, as amended, the Board delegated certain responsibilities for the administration of the Policy to the Retirement System Investment Committee, reserving to the Board approval of Policy amendments; and

Whereas, the Retirement System Investment Committee, upon the advisement of the Retirement System’s Investment Advisor and Counsel, recommended certain changes to the Policy to the President and CEO, including the recommendation to replace the REIT asset class with U.S. Core Real Estate, replace Convertibles with Multi Asset Credit, consolidate separate Long Duration and Core Fixed Income to broad Fixed Income, and consolidate separate Small and Mid-Cap Domestic Equity with Small, Mid, or SMID Cap Domestic Equity; and

Whereas, the proposed amended and restated Policy has been presented to and reviewed by the Board’s Audit and Finance Committee (“Committee”), which found the proposed amended and restated Policy to be appropriate and in the best interest of KUB and the Plan and recommended its adoption by the Board through its adoption of Resolution AF-92.

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

Section 1. The Board hereby adopts the amended and restated Policy, attached hereto as Exhibit 1, which shall replace and supersede any Investment Policy previously adopted by the Board for the Plan.

Section 2. That the amended and restated Investment Policy for the KUB Pension Plan shall become effective July 1, 2023.

Adrienne Simpson-Brown Chair

Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK 46 PAGE _____

KNOXVILLE UTILITIES BOARD
PENSION PLAN
STATEMENT OF INVESTMENT POLICY

JULY 1, 2023

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I. INTRODUCTION

The Knoxville Utilities Board (“KUB”) Retirement System (“Retirement System”) consists of two plans: the KUB Pension Plan (“Pension Plan”) and the KUB Asset Accumulation 401(k) Plan (“401(k) Plan”). The Pension Plan is closed to new entrants. Employees last hired on or before December 31, 2010, are covered by both Plans; employees last hired after December 31, 2010, are covered by the 401(k) Plan. The Plans provide retirement, death and disability benefits to participants, retirees and beneficiaries (collectively, “Participants”).

Funding for the Pension Plan is primarily the responsibility of KUB, although a small number of Participants in a prior closed plan make employee contributions. Funding methods and objectives are described in KUB’s established Funding Policy (“Funding Policy”).

KUB is responsible for investment of Pension Plan Trust assets and this Statement of Investment Policy (“Policy”) sets out its goals and objectives in that regard.

Depending on the circumstances, the Pension Plan Trust fund (“Fund”) employs various forms of investment managers, including managers of separate accounts (“Separate Account Investment Managers”), managers of commingled or collective accounts or trusts, and mutual funds to manage designated portfolios consisting of investments in particular asset classes. As used in this Policy, “Investment Manager” is intended to refer to all such managers unless otherwise specified. To the extent a portion of the Fund is invested in a mutual fund or other commingled vehicle, such mutual fund or commingled vehicle shall be evaluated based on this Policy, although KUB recognizes that fund or vehicle is actually invested exclusively pursuant to its own investment policy and guidelines, which are reviewed by the Investment Committee upon selection.

II. PURPOSE

The purpose of this Policy is to define the investment objectives, guidelines and performance standards for the assets of the Fund, formulated in response to the following:

- The anticipated financial needs of KUB;
- Consideration of risk tolerance; and
- The need to document and communicate objectives, guidelines and standards to the Investment Managers.

This Policy represents the formal document for the investment of the Fund's assets and is to be communicated to the Separate Account Investment Managers for their use in developing an appropriate investment program and to the Trustee for its use in exercising its fiduciary responsibility. This Policy is also used as the basis for measurement and evaluation of investment performance of Investment Managers by the Investment Committee of the Retirement System ("Investment Committee") and its Investment Consultant.

This Policy is intended to be dynamic in nature and will be updated and revised as circumstances change.

This Policy was last amended effective July 1, 2023, on the approval of the KUB Board of Commissioners ("Board") based on the Investment Committee's recommendation, with the advice of the Investment Consultant, Mercer Investment Consulting, LLC.

III. RESPONSIBILITIES

KUB is responsible for assuring that the investment program for the Fund is managed:

- Prudently and in compliance with applicable laws and regulations; and
- For the exclusive benefit of Participants.

In Resolution No. 979, as amended (“Retirement System Resolution”), the Board established the Retirement System and delegated to the Investment Committee certain responsibilities. The primary responsibilities of the Investment Committee are listed below. For a complete description of the responsibilities of the Investment Committee and other various parties, please refer to the Retirement System Resolution, the Pension Plan Document and Pension Plan Trust Agreement.

- Recommend to the President and CEO, for recommendation to the Board, a Policy for the Pension Plan and amendments to such Policy from time to time;
- Implement procedures for the investment, management, supervision and control of the Fund;
- Recommend to KUB's President and CEO appointment and removal of Trustees;
- Communicate the Policy to Separate Account Investment Managers;
- Monitor and evaluate investment performance;
- Recommend modification of the investment types as appropriate; and
- Recommend to the President and CEO appointment of Investment Managers, and removal or replacement, if, at the discretion of the Investment Committee based on the advice of the Investment Consultant, the Investment Managers fail to meet performance expectations set forth in this Policy over the long-term.

The Investment Committee shall meet several times a year to review the performance of the Investment Managers and hear from its Investment Consultant and any Investment Managers invited to appear. Any changes in the Policy may be initiated by the Investment Committee upon motion of any member. Recommendations for changes approved by the Investment Committee are transmitted to KUB’s President and CEO for presentation through the Audit and Finance Committee to the Board. Changes are effective upon approval by the Board.

This Policy establishes Standards of Measurement for each investment category within the Pension Plan. The benchmarks used in the Standards of Measurement are designated in the Appendix to this Policy. The Board has delegated to the President and CEO

responsibility and authority to amend the Appendix of Indices or Standards of Measurement and those benchmarks from time to time based on the recommendation of the Investment Committee, which shall act upon the advice of the Investment Consultant. The President and CEO is required to report to the Audit and Finance Committee of the Board prior to adopting changes in such Appendix or benchmarks for Standards of Measurement. The President and CEO shall cause any such amended Appendix to be attached to this Policy whenever such changes are made.

Delegation of Responsibilities

Under the Charter of the City of Knoxville, Section 1107(j), the Retirement System is authorized to delegate certain responsibilities to qualified agents to assist it in properly meeting the overall Retirement System responsibilities as outlined above. Specifically, in the Retirement System Resolution, the Board has delegated responsibility: to the President and CEO to appoint a Trustee and Investment Managers; to the Administrative Committee of the Retirement System to select Legal Counsel and an Actuary; and to the Investment Committee to appoint an Investment Consultant.

- **Trustee** – The designated Trustee is delegated the following responsibilities:
 - Except to the extent delegated to the Investment Managers, perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock;
 - Safekeep all assets including securities, cash and cash equivalents;
 - Receive instructions from Investment Managers to purchase and sell various securities and ensure that transactions are settled according to established settlement procedures;
 - Provide monthly transaction accounting on security holdings with reports provided to the Retirement System in a timely manner;
 - To the extent requested by the Retirement System, disburse Pension Plan benefits and Retirement System expense payments and process annual tax reporting to the Internal Revenue Service, vendors, and Participants in a timely manner; and
 - Provide oversight responsibility relating to the security and safekeeping of Pension Plan Trust assets normally expected of a Trustee acting in this capacity.
- **Investment Managers** – The designated Investment Managers are charged with the following responsibilities:

- Adhere to the Investment Guidelines contained in this Policy or the investment policy for the mutual fund or commingled vehicle;
- Exercise complete investment discretion within the boundaries of the restrictions outlined in this Policy or the investment policy for the mutual fund or commingled vehicle;
- Strictly comply with all of the provisions of applicable law as they pertain to the Investment Manager's dealings, functions and responsibilities as fiduciaries;
- Diversify the portfolio so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent to not so diversify;
- Invest the assets of the Fund with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims;
- As to Separate Account Investment Managers, acknowledge in writing the recognition and acceptance of full responsibility as a fiduciary under applicable federal and state legislation, and the Investment Manager's intention to comply with this Policy as it currently exists or as it is modified in the future, by signing the statement at the end of this Policy.
- Report investment performance to the Retirement System.
- **Investment Consultant** – The designated Investment Consultant is charged with the following responsibilities:
 - Provide comprehensive, periodic evaluations of the investment results achieved by the designated Investment Managers in light of the investment guidelines and performance standards contained in this Policy;
 - Make recommendations to the Retirement System of appropriate actions to be considered which, in the Investment Consultant's opinion, will enhance the probability of achieving overall Fund objectives. Such recommendations may include, but are not limited to:
 - Use of alternate asset strategies, asset allocation or asset classes;
 - Changes in Policy;
 - Changes in designated Investment Managers;

- Assist the Retirement System in monitoring, screening and selecting Investment Managers, as appropriate.
- **Legal Counsel** – The Retirement System’s designated Legal Counsel will advise and represent KUB, the Board and the Retirement System in all matters requiring legal insight and advice pertaining to the Retirement System.
- **Actuary** – The Retirement System’s designated Actuary shall have the following responsibilities:
 - Prepare, on a frequency determined by the Retirement System, a comprehensive valuation of the Pension Plan’s funded status and required contribution levels, and attest to the appropriateness of the Pension Plan’s assumptions and Funding Policy; and
 - Conduct special experience and actuarial studies as required by the Retirement System.

IV. INVESTMENT OBJECTIVE

The investment objective of the Fund is to ensure, over the remaining life of the Fund for this closed Pension Plan, an adequate level of assets to fund the benefits for Participants at the time they are payable. In meeting this objective, the Retirement System seeks to achieve an investment return consistent with a prudent level of risk.

The Fund's goal will be to provide an annualized rate of return that is consistent with the Pension Plan's actuarial rate of return assumptions as those assumptions may be adjusted from time to time for this closed Pension Plan. The Investment Committee shall periodically review current expected annual returns for the various asset classes and the Fund as a whole to determine, in consultation with the Actuary and Investment Consultant, whether overall return expectations are consistent with KUB risk and return targets and the actuarial long-term rate of return assumption for the Pension Plan, and whether the investment objectives continue to be appropriate for the Pension Plan. The asset classes utilized and their respective weights are determined with careful consideration of the Fund's assets and liabilities. Periodic asset liability studies may be performed by the Investment Consultant, Actuary or any other qualified party and the results of such studies may be used to determine the asset classes included within the Fund and their respective weights contained herein. The current target asset structure is set out in Section V below.

Fund and portfolio performance is measured net of investment fees. As part of its performance evaluation, the Investment Committee reviews, with the assistance of the Investment Consultant, the absolute fees charged by Investment Managers as well as the relative fees of comparable managers and for the Fund as a whole.

V. ASSET STRUCTURE

The asset structure reflects a balance of the Fund's needs for liquidity, growth of assets and KUB's risk tolerance, while taking account of the Pension Plan's long, but limited life. The current target asset mix is set out in the Asset Allocation Schedule attached to this Policy.

The strategic allocation is intended to provide reasonable assurance that the Fund's investment objective can be achieved based on historic relationships of asset class performance, using active and passive portfolio management. The Fund may include a benefit funding account to provide for monthly benefit and expense obligations. Liquidity is required from Separate Account Investment Managers only to meet defined payout needs, unless the Investment Managers are otherwise advised by the Retirement System.

The Investment Committee is charged with the responsibility of monitoring the overall allocation within the parameters described in the Asset Allocation Schedule.

It is understood that the target allocations are targets and that deviations may occur from time to time as a result of market impact or from short-term timing decisions implemented by either the Retirement System or, with prior approval, by the Investment Managers. The Investment Committee, with the advice of its Investment Consultant, shall be responsible for identifying deviations from the Policy and determining and implementing appropriate corrections when necessary. Any permanent changes to this Policy, with the exceptions of Asset Allocation Schedule and the Appendix of Indices, must be recommended by the Investment Committee to KUB's President and CEO and approved by the Board.

Should a Separate Account Investment Manager deem an asset structure outside the tactical range to be appropriate, the Investment Manager may deviate from this Policy only with the written approval of the Investment Committee.

This Policy recognizes that KUB may decide to provide certain benefits (e.g., retirement annuities, death benefits or disability benefits) through insurance policies, annuity contracts, or similar financial arrangements owned by the Pension Plan or by KUB.

Change in Asset Allocation

The Investment Committee will regularly monitor the funding progress of the Pension Plan towards the present value of benefits (PVB), as measured by the market value of assets as a percentage of the PVB. When the funding status approaches 95%, in consultation with the Investment Consultant and the Actuary, the Investment Committee shall review and determine if the current allocation of 70% Growth Assets and 30% Defensive Assets is still reasonable and may adjust the Growth Assets to a lower limit (not lower than 60%), if appropriate, after notifying the President and CEO and Audit and Finance Committee of the Board. The relative weights of asset classes, and their target ranges, within the Growth Asset and Defensive Asset categories shall be maintained. Any such change shall be shown in a revised Asset Allocation Schedule, to be attached to this Policy.

Passive Investment Portfolios

The Investment Committee is also authorized from time-to-time as it determines appropriate to direct the investment of portions of the Fund in passively managed portfolios within asset classes specifically allowed by this Policy. In that event, appropriate Standards of Measurement for any such passively managed funds shall be recommended by the Investment Committee to the President and CEO for addition to the Standards of Measurement Appendix, pursuant to the procedures described in Section III above, including reporting to the Audit and Finance Committee of the Board.

Exclusions

Without the expressed written consent of the Investment Committee, a Fund shall not invest in commodities and leveraged investments, including derivatives, except when used for risk management pursuant to the Fund's established investment guidelines communicated to the Committee.

VI. INVESTMENT GUIDELINES

| Asset Classes | Securities Allowed | Diversification Required | Quality |
|--------------------------------------|--|--|---|
| Domestic Large Cap Equity | This is a passive large capitalization equity strategy, designed to include domestic equity securities to closely track the returns and volatility of a core US large cap index. | The exposure to the securities of any one issuer should approximate the benchmark weight of the security. The account should be diversified by sector; however, sector allocations should approximate the benchmark index. All issues must be denominated in US Dollars. | The quality of securities is expected to be similar to the securities contained within the domestic large cap equity index for which the strategy is attempting to closely track. As an exception to that quality standard, the Investment Manager may hold a small amount of cash or cash equivalent instruments with maturities of less than one year and carrying a credit rating of at least A1/P1 or equivalent by a designated rating agency. |
| Domestic Small/Mid Cap Equity | Common and preferred stocks of domestic corporations and American Depository Receipts (ADRs). Such securities will be similar, but not limited to those found within a core mid cap, small cap, or SMID cap domestic equity index. | Broad industry and security diversification is desirable. Security concentration should be limited unless warranted by market environments. The securities of any one issuer are limited to 8% at market of each equity portfolio. | Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark. |
| Non-US Equity | A broad range of international equity securities similar to those contained in a core all-cap non-US equity index. Investment in emerging markets is permissible but should be limited to no more than 35% of each non-US equity Investment Manager's portfolio. | Broad country, industry and security diversification is desirable. Security concentration should be limited unless warranted by market environments. The securities of any one issuer are limited to 8% at market of each equity portfolio. | Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark. |
| Multi Asset Credit | Investment in the following types of debt securities, but not limited to: high yield bonds, senior secured floating rate loans, convertible bonds, and sovereign and corporate bonds. Investment should exclude emerging market debt. | Broad country, industry and security diversification is desirable. Security concentration should be limited unless warranted by market environments. The securities of any one issuer are limited to no more than 10% or 30% of assets in any one industry. | Due to the nature of this asset class, a certain portion of this portfolio is invested in below investment grade issues. For securities that are not rated, the Investment Manager shall maintain a review system consistently applied to provide risk controls. |

| Asset Classes | Securities Allowed | Diversification Required | Quality |
|----------------------------|---|---|--|
| US Core Real Estate | Investments should be through an institutional, US core real estate fund or real estate investment trust (REIT). The fund should be focused on investments in US commercial real estate assets. | The fund should be diversified across property types and geographies. The four primary property types for investment should be office, industrial, retail, and multifamily. Investments in other property types may also be appropriate. Investments in properties under development or redevelopment should generally be limited to no more than 25% of the portfolio. | The fund should be focused on investments in high quality US commercial real estate properties. |
| Fixed Income | US Government and Agency securities, and appropriately liquid high quality corporate bonds, mortgage-backed securities, and asset-backed securities. | Except for United States Treasury and Agency obligations, the fixed income portfolio shall contain no more than 15% exposure to any issuer. The weighted average maturity of the actively managed fixed income portfolio should not exceed 130% of the average maturity of the benchmark index. The weighted average duration should range between +/- 10% of the benchmark's duration. | Securities rated below investment grade (below BBB) should not represent more than 10% of the portfolio at cost or market. When securities rated higher than BBB fall below investment grade, the Investment Committee should be notified by the Investment Manager(s). The average quality of the portfolio shall be no less than AA. If a security is "split-rated" by two or more of the major rating agencies, the lower rating shall be used. |
| Cash Equivalents | Debt securities of any US entity not otherwise prohibited, with maturities of not more than 13 months, through a short-term investment fund. | No more than 10% of the cash portfolio shall be invested in Certificates of Deposit or Banker's Acceptances issued by any single bank. No more than 35% of the cash portfolio shall be invested in commercial paper, with no more than 5% of the portfolio invested with any single issuer of commercial paper. | Only cash equivalents with the following minimum quality ratings from designated rating agencies are eligible for inclusion in the portfolio: Commercial Paper: A1/P1 or equivalent; Certificates of Deposit and Banker's Acceptances: AA- to Aa3; Repurchase Agreements: US Government or agency securities.. |

VII. STANDARDS OF MEASUREMENT

Standards used to measure investment performance will be set forth in context with the established objectives. Each standard shall apply independently to the portfolio of each Investment Manager and, except in the case of passive management, is expected to be achieved net of investment management fees and expenses. It is understood that the Investment Managers may, from time to time, fail to meet various performance benchmarks. However, the Investment Committee will endeavor to evaluate performance, in the short term, in the context of the Pension Plan's long-term objectives.

PASSIVE MANAGER STANDARDS

Measurement #1

On quarterly and annual bases, the index fund should closely track performance and volatility of the designated index.

ACTIVE MANAGER STANDARDS

Measurement #1

Over rolling three-year periods, the performance should exceed the appropriate universe median.

Measurement #2

Over rolling five-year periods, the annualized performance, net of fees, should exceed the return of the appropriate benchmark.

Measurement #3

Over rolling five-year periods, the annualized standard deviation of the portfolio's quarterly rate of return should not exceed 150% of the appropriate index.

VIII. INVESTMENT ADMINISTRATION

Documentation

The Separate Account Investment Managers are required to submit a written statement to the Investment Committee describing their proposed investment strategy and tactics for achieving the investment goals and objectives of this Policy. They should also submit suggested revisions to this Policy whenever their strategy or tactics change significantly as a result of changing market conditions or other factors.

Detailed financial statements are to be supplied monthly by the Investment Managers.

Annual Review Meeting

Each Investment Manager of an actively managed portfolio will be expected to meet at least annually with the Investment Consultant. Staff and members of the Investment Committee may also attend these meetings. The agenda for these meetings shall include, but not be limited to:

1. A presentation of investment results in light of the objectives of this Policy.
2. A discussion of investment strategies currently being executed by the Investment Manager.
3. Communication of material changes in the policy, objectives, staffing or business condition of the Investment Manager.

Acceptance Agreement

The undersigned Separate Account Investment Manager hereby acknowledges its appointment as a named fiduciary in accordance with the Advisory Agreement between the Investment Manager and KUB and agrees that this Statement of Investment Policy (revised effective July 1, 2023) shall be incorporated as a part of the Investment Manager’s Advisory Agreement with KUB and shall be substituted for any previous Statement of Investment Policy agreed to by KUB and the Investment Manager.

If at any time the Investment Manager believes that the objectives and guidelines contained in this Statement of Investment Policy cannot be met or performed in strict compliance with the Statement, the Investment Manager agrees to promptly notify the Chair of the Investment Committee in writing. In consideration of the Investment Manager’s initial engagement by KUB and the Investment Manager’s ongoing relationship as an Investment Manager for KUB Retirement System, the Investment Manager hereby acknowledges a complete understanding of these objectives and guidelines and agrees to abide by each of said requirements during the course of the Investment Manager’s engagement.

SEPARATE ACCOUNT
INVESTMENT MANAGER:

Dated: _____

Name _____

By: _____

Its: _____

IX. ASSET ALLOCATION SCHEDULE

The target asset mix is as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Tactical Ranges</u> |
|----------------------------|--------------------------|------------------------|
| Domestic Equity | | |
| Large Cap | 24.0% | 20% - 50% |
| Small/Mid Cap | 16.0% | 0% - 30% |
| Non-US Equity ¹ | 15.0% | 0% - 20% |
| Multi-Asset Credit | 7.5% | 0% - 20% |
| US Core Real Estate | 7.5% | 0% - 10% |
| GROWTH ASSETS | 70.0% | |
| Fixed Income | 30.0% | 20% - 40% |
| Cash Equivalents | <u>0.0%</u> | 0% - 5% |
| DEFENSIVE ASSETS | <u>30.0%</u> | |
| Total Fund | 100.0% | |

Change in Asset Allocation

As set out in the Policy, the Investment Committee, in consultation with the Investment Consultant and the Actuary, is granted authority to adjust the above allocation of Growth Assets and Defensive Assets as the Plan approaches 95% funded on a basis of Present Value of Benefits, after notifying the President and CEO and Audit and Finance Committee, so long as the allocation to Growth Assets shall not be lower than 60%. Any such change shall be shown in a revised Asset Allocation Schedule, attached to the Policy.

¹ Non-US Equity Investment Managers may each have allowable tactical ranges for which they may invest a certain percentage in emerging markets. Their investments in emerging markets are purely opportunistic and therefore not included in the Total Fund's target asset allocation.

X. APPENDIX OF INDICES FOR STANDARDS OF MEASUREMENT – JULY 1, 2023
 KUB PENSION PLAN – INVESTMENT POLICY – SUMMARY OF PERFORMANCE MEASURES

Note: The Funds, asset allocations and Standards of Measurement set out in the Appendix dated May 3, 2023 to the Pension IPS dated July 1, 2016 shall continue to apply in the interim prior to the selection and appointment of Funds consistent with this July 1, 2023 Policy and the population of this Appendix. An updated Appendix shall be prepared and attached to this Policy to reflect those appointments.

| Portfolio Name / Current Investment Manager | Purpose | Investments | Measurement 1 – Rolling Return | Measurement 2 – Rolling Return | Measurement 3 - Volatility | | | |
|---|---|---------------------------|---|--------------------------------|-----------------------------|---------|-----------------------------|------|
| Large Cap Equity | | | | | | | | |
| Fidelity 500 Index Fund | On quarterly and annual bases, index should closely track performance and volatility of the S&P 500 Index | | | | | | | |
| Domestic Small/Mid Cap Equity | | | Rolling 3 Year ¹ | + Median | Rolling 5 Year ² | > index | Rolling 5 Year ³ | 150% |
| Vanguard S&P Mid-Cap 400 Index Fund | On quarterly and annual bases, index should closely track performance and volatility of the S&P 400 Index | | | | | | | |
| Jennison Associates | Capital appreciation | Small Cap stocks | Mercer US Small Cap Core Equity Universe | Russell 2000 Index | Russell 2000 Index | | | |
| Non-US Equity | | | Rolling 3 Year | + Median | Rolling 5 Year | > index | Rolling 5 Year | 150% |
| MFS | Capital appreciation | Non - US developed stocks | Mercer World ex US/EAFE Equity Universe | MSCI EAFE (net) Index | MSCI EAFE (net) Index | | | |
| TS&W | Capital appreciation | Non - US small cap stocks | Mercer World ex US/EAFE Small Cap Equity Universe | MSCI EAFE Small Cap Index | MSCI EAFE Small Cap Index | | | |
| Fidelity Total International Index Fund | On quarterly and annual bases, index should closely track performance and volatility of the MSCI ACWI ex US IMI Index | | | | | | | |

¹ On rolling three-year periods, the performance of the portfolio should exceed the median of the stated universe.

² On rolling five-year periods, the annualized performance of the portfolio, net of fees, should exceed the return of the stated index.

³ On rolling five-year periods, the annualized standard deviation of the portfolio's quarterly rate of return should not exceed that of the stated index times that stated percentage.

| Portfolio Name / Current Investment Manager | Purpose | Investments | Measurement 1 – Rolling Return | | Measurement 2 – Rolling Return | | Measurement 3 - Volatility | |
|---|---------------------------------------|--|---------------------------------------|----------|----------------------------------|---------|----------------------------------|------|
| Multi-Asset Credit | | | Rolling 3 Year | + Median | Rolling 5 Year | > index | Rolling 5 Year | 150% |
| TBD | Current income & capital appreciation | Multi-Asset Credit securities | Mercer US Multi-Asset Credit Universe | TBD | TBD | | | |
| US Core Real Estate | | | Rolling 3 Year | + Median | Rolling 5 Year | > index | Rolling 5 Year | 150% |
| TBD | Current income & capital appreciation | Commingled Real Estate Trust and/or REITs | Mercer US Core Real Estate Universe | TBD | NAREIT | | | |
| Fixed Income | | | Rolling 3 Year | + Median | Rolling 5 Year | > index | Rolling 5 Year | 150% |
| Agincourt | Current income | US government & corporate bonds, mortgages | Mercer US Fixed Core Manager Universe | | Barclays Capital Aggregate Index | | Barclays Capital Aggregate Index | |

New asset classes, new standards of measurement, changes in benchmarks, and other similar substantive changes to this Appendix shall be reported to the Board’s Audit and Finance Committee prior to adoption by the President and CEO.

All other changes, including a change in manager within an existing asset class with no change in standard of measurement and other similar changes, shall be updated in this Appendix by retirement system staff with notice to the Investment Committee upon adoption by the President and CEO.

RESOLUTION NO. AF-92

A Resolution Recommending the Knoxville Utilities Board of Commissioners ("Board") Amend and Restate the Investment Policy ("Policy") of the Knoxville Utilities Board ("KUB") Pension Plan ("Plan")

Whereas, Board Resolution No. 979, as amended, delegated certain responsibilities for the administration of the Plan to the Retirement System Investment Committee, including the responsibility to recommend amendments to the Policy to the President and CEO from time to time; and

Whereas, the Retirement System Investment Committee, upon the advisement of the Retirement System's Investment Consultant, has recommended certain amendments to the Policy to the President and CEO; and

Whereas, the proposed amendments to the Policy have been presented to and reviewed by the Board's Audit and Finance Committee ("Committee"); and

Whereas, the Committee finds the proposed amendments to the Policy to be appropriate and in the best interest of KUB and participants in the Plan; and

Whereas, the Policy may only be amended upon approval of the Board; and

Whereas, the Committee recommends the Board adopt the proposed amendments to the Policy.

Now, Therefore, Be It Hereby Resolved by the Audit and Finance Committee of the Knoxville Utilities Board of Commissioners:

Section 1. The Committee approves the proposed amendments to the Policy and recommends the Board adopt the amended and restated Policy, as set forth in Exhibit 1 to this Resolution.

Section 2. Be it Further Resolved that this Resolution shall take effect in accordance with its terms from and after its passage.



Kathy Hamilton, Committee Chair

Approved on 1st
& Final Reading: 5-3-23
Effective Date: 5-3-23

KNOXVILLE UTILITIES BOARD
PENSION PLAN
STATEMENT OF INVESTMENT POLICY

JULY 1, ~~2016~~2023

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I. INTRODUCTION

The Knoxville Utilities Board (“KUB”) Retirement System (“Retirement System”) consists of two plans: the KUB Pension Plan (“Pension Plan”) and the KUB Asset Accumulation 401(k) Plan (“401(k) Plan”). The Pension Plan is closed to new entrants. Employees last hired on or before December 31, 2010, are covered by both Plans; employees last hired after December 31, 2010, are covered by the 401(k) Plan. The Plans provide retirement, death and disability benefits to participants, retirees and beneficiaries (collectively, “Participants”).

Funding for the Pension Plan is primarily the responsibility of KUB, although a small number of Participants in a prior closed plan make employee contributions. Funding methods and objectives are described in KUB’s established Funding Policy (“Funding Policy”).

KUB is responsible for investment of Pension Plan Trust assets and this Statement of Investment Policy (“Policy”) sets out its goals and objectives in that regard.

Depending on the circumstances, the Pension Plan Trust fund (“Fund”) employs various forms of investment managers, including managers of separate accounts (“Separate Account Investment Managers”), managers of commingled or collective accounts or trusts, and mutual funds to manage designated portfolios consisting of investments in particular asset classes. As used in this Policy, “Investment Manager” is intended to refer to all such managers unless otherwise specified. To the extent a portion of the Fund is invested in a mutual fund or other commingled vehicle, such mutual fund or commingled vehicle shall be evaluated based on this Policy, although KUB recognizes that fund or vehicle is actually invested exclusively pursuant to its own investment policy and guidelines, which are reviewed by the Investment Committee upon selection.

II. PURPOSE

The purpose of this Policy is to define the investment objectives, guidelines and performance standards for the assets of the Fund. ~~The objectives are,~~ formulated in response to the following:

- The anticipated financial needs of KUB;
- Consideration of risk tolerance; and
- The need to document and communicate objectives, guidelines and standards to the Investment Managers.

This Policy represents the formal document for the investment of the Fund's assets and is to be communicated to the Separate Account Investment Managers for their use in developing an appropriate investment program and to the Trustee for its use in exercising its fiduciary responsibility. This Policy is also used as the basis for measurement and evaluation of investment performance of Investment Managers by the Investment Committee of the Retirement System ("Investment Committee") and its Investment Consultant.

This Policy is intended to be dynamic in nature and will be updated and revised as circumstances change.

This Policy was last amended effective July 1, ~~2016~~2023, on the approval of the KUB Board of Commissioners ("Board") based on the Investment Committee's recommendation, with the advice of the Investment ~~Committee's Investment~~ Consultant, Mercer Investment Consulting, LLC.

III. RESPONSIBILITIES

KUB is responsible for assuring that the investment program for the Fund is managed:

- Prudently and in compliance with applicable laws and regulations; and
- For the exclusive benefit of Participants.

In Resolution No. 979, as amended (“Retirement System Resolution”), the Board established the Retirement System and delegated to the Investment Committee certain responsibilities. The primary responsibilities of the Investment Committee are listed below. For a complete description of the ~~legal~~ responsibilities of the Investment Committee and other various parties, please refer to the Retirement System Resolution, the Pension Plan Document and Pension Plan Trust Agreement.

- Recommend to the President ~~&and~~ CEO, for recommendation to the Board, a Policy for the Pension Plan, ~~including investment policies, objectives, and benchmarks for the overall Fund and for each investment portfolio,~~ and amendments to such ~~Investment Policies~~ Policy from time to time;
- Implement procedures for the investment, management, supervision and control of the Fund;
- Recommend to KUB's President ~~&and~~ CEO appointment and removal of Trustees ~~and Investment Managers~~;
- Communicate the Policy to Separate Account Investment Managers;
- Monitor and evaluate investment performance. ~~It is understood that the Investment Managers may, from time to time, fail to meet various performance benchmarks. However, the Investment Committee will endeavor to evaluate performance, in the short term, in the context of the Pension Plan's long term objectives;~~
- Recommend modification of the investment types as appropriate; and
- Recommend to the President ~~&and~~ CEO ~~the replacement~~ appointment of Investment Managers, and removal or replacement, if, at the discretion of the Investment Committee based on the advice of the Investment Consultant, the Investment Managers fail to meet performance expectations set forth in this Policy over the long-term.

The Investment Committee shall meet several times a year to review the performance of the Investment Managers and hear from its Investment Consultant and any Investment Managers invited to appear. Any changes in the Policy may be initiated by the Investment Committee upon motion of any member. Recommendations for changes approved by the

Investment Committee are transmitted to KUB's President &and CEO for presentation through the Audit and Finance Committee to the Board. Changes are effective upon approval by the Board.

~~The Policy is communicated to Separate Account Investment Managers in writing, and each such Separate Account Investment Manager is required to sign the statement at the end of this Policy confirming acceptance by the Separate Account Investment Manager.~~

~~To the extent a portion of the Fund is invested in a mutual fund or other commingled vehicle, such mutual fund or commingled vehicle shall be evaluated based on this Policy, although KUB recognizes that fund or vehicle is actually invested exclusively pursuant to its own investment policy and guidelines, which are reviewed by the Investment Committee upon selection.~~ This Policy, as recommended by the Investment Committee and approved by the Board on the recommendation of the President & CEO, establishes Standards of Measurement for each investment category within the Pension Plan. The ~~particular~~ benchmarks used in the Standards of Measurement are designated in the Appendix to this Policy. The Board has delegated to the President &and CEO responsibility and authority to amend the Appendix of Indices or Standards of Measurement and those benchmarks from time to time based on the recommendation of the Investment Committee, which shall act upon the advice of the Investment Consultant. The President &and CEO is required to report to the Audit &and Finance Committee of the Board prior to adopting changes in such Appendix or benchmarks for Standards of Measurement. The President &and CEO shall cause any such amended Appendix to be attached to this Policy whenever such changes are made.

Delegation of Responsibilities

Under the Charter of the City of Knoxville, Section 1107(j), the Retirement System is authorized to delegate certain responsibilities to qualified agents to assist it in properly meeting the overall Retirement System responsibilities as outlined above. Specifically, in the Retirement System Resolution, the Board has delegated responsibility: to the President &and CEO to appoint a Trustee and Investment Managers; to the Administrative Committee of the Retirement System to select Legal Counsel and an Actuary; and to the Investment Committee to appoint an Investment Consultant.

- **Trustee** – The designated Trustee is delegated the following responsibilities:
 - Except to the extent delegated to the Investment Managers, perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock;
 - Safekeep all assets including securities, cash and cash equivalents;

- Receive instructions from Investment Managers to purchase and sell various securities and ensure that transactions are settled according to established settlement procedures;
- Provide monthly transaction accounting on security holdings with reports provided to the Retirement System in a timely manner;
- To the extent requested by the Retirement System, disburse Pension Plan benefits and Retirement System expense payments and process annual tax reporting to the Internal Revenue Service, vendors, and Participants in a timely manner; and
- Provide oversight responsibility relating to the security and safekeeping of Pension Plan Trust assets normally expected of a Trustee acting in this capacity.
- **Investment Managers** – The designated Investment Managers are charged with the following responsibilities:
 - Adhere to the Investment Guidelines contained in this Policy or the investment policy for the mutual fund or commingled vehicle;
 - Exercise complete investment discretion within the boundaries of the restrictions outlined in this Policy or the investment policy for the mutual fund or commingled vehicle;
 - Strictly comply with all of the provisions of applicable law as they pertain to the Investment Manager's dealings, functions and responsibilities as fiduciaries;
 - Diversify the portfolio so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent to not so diversify;
 - Invest the assets of the Fund with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims;
 - As to Separate Account Investment Managers, acknowledge in writing the recognition and acceptance of full responsibility as a fiduciary under applicable federal and state legislation, and the Investment Manager's intention to comply with this Policy as it currently exists or as it is modified in the future, by signing the statement at the end of this Policy.
 - Report investment performance to the Retirement System.

- **Investment Consultant** – ~~It shall be the responsibility of the~~The designated Investment Consultant ~~to assist the Retirement System~~is charged with the following ~~functions~~responsibilities:
 - Provide comprehensive, periodic evaluations of the investment results achieved by the designated Investment Managers in light of the investment guidelines and performance standards contained in this Policy;
 - Make recommendations to the Retirement System of appropriate actions to be considered which, in the Investment Consultant's opinion, will enhance the probability of achieving overall Fund objectives. Such recommendations may include, but are not limited to:
 - Use of alternate asset strategies, asset allocation or asset classes;
 - Changes in ~~overall investment policy~~Policy;
 - Changes in designated Investment Managers;
 - Assist the Retirement System in monitoring, screening and selecting Investment Managers, as appropriate.
- **Legal Counsel** – The Retirement System's designated Legal Counsel will advise and represent KUB, the Board and the Retirement System in all matters requiring legal insight and advice pertaining to the Retirement System.
- **Actuary** – The Retirement System's designated Actuary shall have the following responsibilities:
 - Prepare, on a frequency determined by the Retirement System, a comprehensive valuation of the Pension Plan's funded status and required contribution levels, and attest to the appropriateness of the Pension Plan's assumptions and ~~funding policy~~Funding Policy; and
 - Conduct special experience and actuarial studies as required by the Retirement System.

IV. INVESTMENT OBJECTIVE

The investment objective of the Fund is to ensure, over the remaining life of the Fund for this closed Pension Plan, an adequate level of assets to fund the benefits for Participants at the time they are payable. In meeting this objective, the Retirement System seeks to achieve an investment return consistent with a prudent level of risk.

The Fund's goal will be to provide an annualized rate of return that is consistent with the Pension Plan's actuarial rate of return assumptions as those assumptions may be adjusted from time to time for this closed Pension Plan. The Investment Committee shall periodically review current expected annual returns for the various asset classes and the Fund as a whole to determine, in consultation with the Actuary and Investment Consultant, whether overall return expectations are consistent with KUB risk and return targets and the actuarial long-term rate of return assumption for the Pension Plan, and whether the investment objectives continue to be appropriate for the Pension Plan. The asset classes utilized and their respective weights are determined with careful consideration of the Fund's assets and liabilities. Periodic asset liability studies may be performed by the Investment Consultant, Actuary or any other qualified party and the results of such studies may be used to determine the asset classes included within the Fund and their respective weights contained herein. The current target asset structure is set out in Section V below.

Fund and portfolio performance is measured net of investment fees. As part of its performance evaluation, the Investment Committee reviews, with the assistance of the Investment Consultant, the absolute fees charged by Investment Managers as well as the relative fees of comparable managers and for the Fund as a whole.

V. ASSET STRUCTURE

The asset structure ~~should reflect~~reflects a ~~proper~~ balance of the Fund's needs for liquidity, growth of assets and KUB's risk tolerance, while taking account of the Pension Plan's long, but limited life. The current target asset mix is set out in the Asset Allocation Schedule attached to this Policy.

~~The target asset mix is as follows:~~

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Tactical Ranges</u> |
|--------------------------------------|--------------------------|------------------------|
| Domestic Equity | | |
| —Large Cap | —24.0% | 20%—50% |
| —Mid Cap | —8.0% | —0%—15% |
| —Small Cap | —8.0% | —0%—15% |
| —Convertible Securities | —7.5% | —0%—10% |
| Non-US Equity[†] | —15.0% | —0%—20% |
| Real Estate Equity | —7.5% | —0%—10% |
| Fixed Income | | |
| —Aggregate Bonds | —10.0% | —5%—25% |
| —Long term Bonds | —20.0% | 10%—25% |
| Cash Equivalents | —0.0% | —0%—5% |
| Total Fund | 100.0% | |

The strategic allocation is intended to provide reasonable assurance that the Fund's investment objective can be achieved based on historic relationships of asset class performance, using active and passive portfolio management. The Fund may include a benefit funding account to provide for monthly benefit and expense obligations. Liquidity is required from Separate Account Investment Managers only to meet defined payout needs, unless the Investment Managers are otherwise advised by the Retirement System.

The Investment Committee is charged with the responsibility of monitoring the overall allocation within the parameters described ~~above~~in the Asset Allocation Schedule.

It is understood that the target allocations are targets and that deviations may occur from time to time as a result of market impact or from short-term timing decisions implemented by either the Retirement System or, with prior approval, by the Investment Managers. The Investment Committee, with the advice of its Investment Consultant, shall be responsible for identifying deviations from the Policy and determining and implementing appropriate corrections when necessary. Any permanent changes to this Policy, with the ~~exception~~of exceptions of Asset Allocation Schedule and the Appendix of Indices, must be

[†]~~Non-US Equity Investment Managers each have allowable tactical ranges for which they may invest a certain percentage in emerging markets. Their investments in emerging markets are purely opportunistic and therefore not included in the Total Fund's target asset allocation.~~

recommended by the Investment Committee to KUB's President ~~&~~and CEO and approved by the Board.

Should a Separate Account Investment Manager deem an asset structure outside the tactical range to be appropriate, the Investment Manager may deviate from this Policy only with the written approval of the Investment Committee.

This Policy recognizes that KUB may decide to provide certain benefits (e.g., retirement annuities, death benefits or disability benefits) through insurance policies, annuity contracts, or similar financial arrangements owned by the Pension Plan or by KUB.

Change in Asset Allocation

The Investment Committee will regularly monitor the funding progress of the Pension Plan towards the present value of benefits (PVB), as measured by the market value of assets as a percentage of the PVB. When the funding status approaches 95%, in consultation with the Investment Consultant and the Actuary, the Investment Committee shall review and determine if the current allocation of 70% Growth Assets and 30% Defensive Assets is still reasonable and may adjust the Growth Assets to a lower limit (not lower than 60%), if appropriate, after notifying the President and CEO and Audit and Finance Committee of the Board. The relative weights of asset classes, and their target ranges, within the Growth Asset and Defensive Asset categories shall be maintained. Any such change shall be shown in a revised Asset Allocation Schedule, to be attached to this Policy.

Passive Investment Portfolios

The Investment Committee is also authorized from time-to-time as it determines appropriate to direct the investment of portions of the Fund in passively -managed portfolios within ~~the~~ asset classes specifically allowed by this Policy. In that event, appropriate Standards of Measurement for any such passively -managed funds shall be recommended by the Investment Committee to the President ~~&~~and CEO for addition to the Standards of Measurement Appendix, pursuant to the procedures described in Section III above, including reporting to the Audit ~~&~~and Finance Committee of the Board.

Exclusions

Without the expressed written consent of the Investment Committee, a Fund shall not invest in commodities and leveraged investments, including derivatives, except when used for risk management pursuant to the Fund's established investment guidelines communicated to the Committee.

VI. INVESTMENT GUIDELINES

| <u>Asset Classes</u> | <u>Securities Allowed</u> | <u>Diversification Required</u> | <u>Quality</u> |
|--------------------------------------|---|---|--|
| <u>Domestic Large Cap Equity</u> | <u>This is a passive large capitalization equity strategy, designed to include domestic equity securities to closely track the returns and volatility of a core US large cap index.</u> | <u>The exposure to the securities of any one issuer should approximate the benchmark weight of the security. The account should be diversified by sector; however, sector allocations should approximate the benchmark index. All issues must be denominated in US Dollars.</u> | <u>The quality of securities is expected to be similar to the securities contained within the domestic large cap equity index for which the strategy is attempting to closely track. As an exception to that quality standard, the Investment Manager may hold a small amount of cash or cash equivalent instruments with maturities of less than one year and carrying a credit rating of at least A1/P1 or equivalent by a designated rating agency.</u> |
| <u>Domestic Small/Mid Cap Equity</u> | <u>Common and preferred stocks of domestic corporations and American Depository Receipts (ADRs). Such securities will be similar, but not limited to those found within a core mid cap, small cap, or SMID cap domestic equity index.</u> | <u>Broad industry and security diversification is desirable. Security concentration should be limited unless warranted by market environments. The securities of any one issuer are limited to 8% at market of each equity portfolio.</u> | <u>Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark.</u> |
| <u>Non-US Equity</u> | <u>A broad range of international equity securities similar to those contained in a core all-cap non-US equity index. Investment in emerging markets is permissible but should be limited to no more than 35% of each non-US equity Investment Manager's portfolio.</u> | <u>Broad country, industry and security diversification is desirable. Security concentration should be limited unless warranted by market environments. The securities of any one issuer are limited to 8% at market of each equity portfolio.</u> | <u>Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark.</u> |
| <u>Multi Asset Credit</u> | <u>Investment in the following types of debt securities, but not limited to: high yield bonds, senior secured floating rate loans, convertible bonds, and sovereign and corporate bonds. Investment should exclude emerging market debt.</u> | <u>Broad country, industry and security diversification is desirable. Security concentration should be limited unless warranted by market environments. The securities of any one issuer are limited to no more than 10% or 30% of assets in any one industry.</u> | <u>Due to the nature of this asset class, a certain portion of this portfolio is invested in below investment grade issues. For securities that are not rated, the Investment Manager shall maintain a review system consistently applied to provide risk controls.</u> |

| <u>Asset Classes</u> | <u>Securities Allowed</u> | <u>Diversification Required</u> | <u>Quality</u> |
|----------------------------|--|--|---|
| <u>US Core Real Estate</u> | <u>Investments should be through an institutional, US core real estate fund or real estate investment trust (REIT). The fund should be focused on investments in US commercial real estate assets.</u> | <u>The fund should be diversified across property types and geographies. The four primary property types for investment should be office, industrial, retail, and multifamily. Investments in other property types may also be appropriate. Investments in properties under development or redevelopment should generally be limited to no more than 25% of the portfolio.</u> | <u>The fund should be focused on investments in high quality US commercial real estate properties.</u> |
| <u>Fixed Income</u> | <u>US Government and Agency securities, and appropriately liquid high quality corporate bonds, mortgage-backed securities, and asset-backed securities.</u> | <u>Except for United States Treasury and Agency obligations, the fixed income portfolio shall contain no more than 15% exposure to any issuer. The weighted average maturity of the actively managed fixed income portfolio should not exceed 130% of the average maturity of the benchmark index. The weighted average duration should range between +/- 10% of the benchmark's duration.</u> | <u>Securities rated below investment grade (below BBB) should not represent more than 10% of the portfolio at cost or market. When securities rated higher than BBB fall below investment grade, the Investment Committee should be notified by the Investment Manager(s). The average quality of the portfolio shall be no less than AA. If a security is "split-rated" by two or more of the major rating agencies, the lower rating shall be used.</u> |
| <u>Cash Equivalents</u> | <u>Debt securities of any US entity not otherwise prohibited, with maturities of not more than 13 months, through a short-term investment fund.</u> | <u>No more than 10% of the cash portfolio shall be invested in Certificates of Deposit or Banker's Acceptances issued by any single bank. No more than 35% of the cash portfolio shall be invested in commercial paper, with no more than 5% of the portfolio invested with any single issuer of commercial paper.</u> | <u>Only cash equivalents with the following minimum quality ratings from designated rating agencies are eligible for inclusion in the portfolio: Commercial Paper: A1/P1 or equivalent; Certificates of Deposit and Banker's Acceptances: AA- to Aa3; Repurchase Agreements: US Government or agency securities..</u> |

DOMESTIC SMALL-CAP EQUITY HOLDINGS

Types of Securities

~~Domestic small cap equity securities shall mean common and preferred stocks of domestic corporations and American Depository Receipts (ADRs). Such securities will be similar, but not limited to those found within a core small cap domestic equity index.~~

Diversification

~~The securities of any one issuer are limited to 5% at cost and 8% at market of each equity portfolio. Broad industry diversification is desirable.~~

Quality

~~Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark.~~

Exclusions

~~Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:~~

- ~~-~~
- ~~naked call options;~~
- ~~puts, straddles;~~
- ~~margin buying, short selling~~

INTERNATIONAL EQUITY HOLDINGS

Types of Securities

~~International equity securities shall mean a broad range of international equity securities similar to those contained in a core all cap non-US equity index. Investment in emerging markets is permissible, but should be limited to no more than 35% of each non-US equity Investment Manager's portfolio.~~

Diversification

~~The securities of any one issuer are limited to 5% at cost and 8% at market of each equity portfolio. Both broad industry and country diversification are desirable.~~

Quality

~~Only equity securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. The universe of stocks for selection should reflect the capitalization and style profile of the Investment Manager's benchmark.~~

Exclusions

~~Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:~~

- ~~–~~
- ~~naked call options;~~
- ~~puts, straddles;~~
- ~~margin buying, short selling~~

~~CONVERTIBLE SECURITY HOLDINGS~~

Types of Securities

~~Convertible securities shall mean: debt instruments convertible into common and preferred stocks; and preferred stocks. Such securities will be similar, but not limited to those found within a core convertible security index.~~

Diversification

~~The securities of any one issuer are limited to 5% at cost and 8% at market of each equity portfolio. Broad industry diversification is desirable.~~

Quality

~~Only convertible securities that are broadly classified as institutional quality issues are eligible for inclusion in the portfolio. Due to the nature of this asset class, a certain portion of this portfolio is invested in below investment grade issues. Therefore, no more than 50% of the portfolio should be invested in securities rated below investment grade by a designated rating agency; for securities that are not rated, the Investment Manager shall maintain a rating system consistently applied to provide equivalent quality controls.~~

Exclusions

~~Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:~~

- ~~–~~
- ~~naked call options;~~
- ~~puts, straddles;~~
- ~~margin buying, short selling~~

REAL ESTATE EQUITY

Types of Securities

~~This is a passive REIT equity strategy, which is designed to include REIT securities to closely track the returns and volatility of a designated Real Estate Investment Trust (REIT) index. Such securities will be similar, but not limited to those found within a core REIT index. Both domestic and global REIT markets may be covered by the core REIT index.~~

Diversification

~~The exposure to the securities of any one issuer should approximate the benchmark weight of the security. The account should be diversified by sector; however, the sector allocations should approximate the benchmark index.~~

Quality

~~The quality of securities is expected to be similar to the securities contained within the designated REIT index for which the strategy is attempting to closely track. As an exception to that quality standard, the Investment Manager may hold a small amount of cash or cash equivalent instruments with maturities of less than one year and carrying a credit rating of at least A1/P1 or equivalent by a designated rating agency.~~

Exclusions

~~Without the expressed written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:~~

- ~~–~~
- ~~naked call options;~~
- ~~puts, straddles;~~
- ~~margin buying, short selling~~

FIXED INCOME HOLDINGS

Types of Securities

~~Debt instruments of any entity denominated in U.S. dollars, and not otherwise prohibited, including U.S. dollar denominated sovereign and supranational bonds (Yankee bonds). Treasury Inflation Protection Securities (TIPS) may also be held as a portion of the bond allocation.~~

Diversification

~~The securities of any one issuer, with the exception of the U.S. Government and its agencies, are limited to 10% at cost and 15% at market of each fixed income portfolio.~~

Quality

~~The portfolio should be, on average, comprised of high-quality issues. Securities should have a quality rating of investment grade by two or more designated rating agencies or, in the purchase of private placements not subject to such ratings, a rating by a qualified banking institution on an equal basis with a designated rating agency's investment grade ratings or higher. Securities downgraded below investment grade by at least one rating agency should be liquidated by the Investment Manager within a reasonable amount of time, with notice to the Investment Committee through the Investment Consultant.~~

Other

~~While there are no maturity limits placed on the portfolio, it is expected that the duration of the fixed income portfolio will be maintained within +/- 10% of the duration of the target index.~~

Exclusions

~~Without the express written consent of the Investment Committee, commodities and leveraged investments, including the following, are prohibited:~~

~~margin buying, short selling;
options~~

CASH EQUIVALENTS

| | |
|-----------------------------------|--|
| <u>Types of Securities</u> | Debt securities of any U.S. entity not otherwise prohibited, with maturities of not more than 13 months, through a short-term investment fund. |
| <u>Diversification</u> | No more than 10% of the cash portfolio shall be invested in Certificates of Deposit or Banker's Acceptances issued by any single bank. No more than 35% of the cash portfolio shall be invested in commercial paper, with no more than 5% of the portfolio invested with any single issuer of commercial paper. |
| <u>Quality</u> | Only cash equivalents with the following minimum quality ratings from designated rating agencies are eligible for inclusion in the portfolio: Commercial Paper: A1/P1 or equivalent Certificates of Deposit and Banker's Acceptances: AA- to Aa3. Repurchase Agreements: U.S. Government or agency secured. |
| <u>Pooled or Commingled Funds</u> | The Investment Managers are encouraged to use commingled investment vehicles when it is advantageous to do so. It shall be the responsibility of the Trustee to make available for use by the Investment Managers pooled or commingled funds, which comply with these guidelines. With the exception of direct obligations of the U.S. Government or its agencies, no individual security position in any commingled fund shall constitute greater than 5% of the commingled fund's assets. |

| _____

VII. STANDARDS OF MEASUREMENT

Standards used to measure investment performance will be set forth in context with the established objectives. Each standard shall apply independently to the portfolio of each Investment Manager and, except in the case of passive management, is expected to be achieved net of investment management fees and expenses. It is understood that the Investment Managers may, from time to time, fail to meet various performance benchmarks. However, the Investment Committee will endeavor to evaluate performance, in the short term, in the context of the Pension Plan's long-term objectives.

PASSIVE MANAGER STANDARDS

Measurement #1

On quarterly and annual bases, the index fund should closely track performance and volatility of the designated index.

~~DOMESTIC MID-AND SMALL-CAP EQUITY~~ ACTIVE MANAGER STANDARDS

Measurement #1

Over rolling three-year periods, the performance ~~of the mid and small cap equity portfolios~~ should exceed the ~~median of a~~appropriate universe ~~of comparable equity funds~~median.

Measurement #2

Over rolling five-year periods, the annualized performance ~~of the mid and small cap equity portfolios~~, net of fees, should exceed the return of the appropriate benchmark.

Measurement #3

Over rolling five-year periods, the annualized standard deviation of the ~~mid and small cap equity portfolios~~portfolio's quarterly rate of return ~~shall be no greater than~~should not exceed 150% of the appropriate index.

~~INTERNATIONAL EQUITY~~ MANAGER STANDARDS

Measurement #1

~~Over rolling three year periods, the performance of the international equity portfolios should exceed the median of a universe of comparable international equity funds.~~

Measurement #2

~~Over rolling five year periods, the annualized performance of the international equity portfolios, net of fees, should exceed the return of the appropriate benchmark.~~

Measurement #3

~~Over rolling five year periods, the annualized standard deviation of the international equity portfolios' quarterly rate of return shall be no greater than 150% of the appropriate index.~~

~~***FIXED INCOME MANAGER STANDARDS***~~

Measurement #1

~~Over rolling three year periods, the performance of the fixed income portfolios should exceed the median of the universe of comparable fixed income funds.~~

Measurement #2

~~Over rolling five year periods, the annualized performance of the fixed income portfolios, net of fees, should exceed the return of the appropriate benchmark.~~

Measurement #3

~~Over rolling five year periods, the annualized standard deviation of the fixed income portfolios' quarterly rate of return shall be no greater than 150% of the appropriate index.~~

~~***CONVERTIBLE SECURITIES MANAGER STANDARDS***~~

Measurement #1

~~Over rolling three year periods, the performance of the convertible security portfolio should exceed the median of a universe of comparable convertible security funds.~~

Measurement #2

~~Over rolling five year periods, the annualized performance of the convertible security portfolio, net of fees, should exceed the return of the appropriate benchmark.~~

Measurement #3

~~Over rolling five year periods, the annualized standard deviation of the convertible security portfolio's quarterly rate of return shall be no greater than 150% of the appropriate index.~~

VIII. INVESTMENT ADMINISTRATION

Documentation

The Separate Account Investment Managers are required to submit a written statement to the Investment Committee describing their proposed investment strategy and tactics for achieving the investment goals and objectives of this Policy. They should also submit suggested revisions to this Policy whenever their strategy or tactics change significantly as a result of changing market conditions or other factors.

Detailed financial statements are to be supplied monthly by the Investment Managers.

Annual Review Meeting

Each Investment Manager of an actively managed portfolio will be expected to meet at least annually with the ~~staff and~~ Investment Consultant, Staff and/or members of the Investment Committee may also attend these meetings. The agenda for these meetings shall include, but not be limited to:

1. A presentation of investment results in light of the objectives of this Policy.
2. A discussion of investment strategies currently being executed by the Investment Manager.
3. Communication of material changes in the policy, objectives, staffing or business condition of the Investment Manager.

Acceptance Agreement

The undersigned Separate Account Investment Manager hereby acknowledges its appointment as a named fiduciary in accordance with the Advisory Agreement between the Investment Manager and KUB and agrees that this Statement of Investment Policy (revised effective July 1, ~~2016~~2023) shall be incorporated as a part of the Investment Manager’s Advisory Agreement with KUB and shall be substituted for any previous Statement of Investment Policy agreed to by KUB and the Investment Manager.

If at any time the Investment Manager believes that the objectives and guidelines contained in this Statement of Investment Policy cannot be met or performed in strict compliance with the Statement, the Investment Manager agrees to promptly notify the Chair of the Investment Committee in writing. In consideration of the Investment Manager’s initial engagement by KUB and the Investment Manager’s ongoing relationship as an Investment Manager for KUB Retirement System, the Investment Manager hereby acknowledges a complete understanding of these objectives and guidelines and agrees to abide by each of said requirements during the course of the Investment Manager’s engagement.

SEPARATE ACCOUNT
INVESTMENT MANAGER:

Dated: _____

Name _____

By: _____

Its: _____

IX. ASSET ALLOCATION SCHEDULE

The target asset mix is as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Tactical Ranges</u> |
|----------------------------------|--------------------------|------------------------|
| <u>Domestic Equity</u> | | |
| <u>Large Cap</u> | <u>24.0%</u> | <u>20% - 50%</u> |
| <u>Small/Mid Cap</u> | <u>16.0%</u> | <u>0% - 30%</u> |
| <u>Non-US Equity²</u> | <u>15.0%</u> | <u>0% - 20%</u> |
| <u>Multi-Asset Credit</u> | <u>7.5%</u> | <u>0% - 20%</u> |
| <u>US Core Real Estate</u> | <u>7.5%</u> | <u>0% - 10%</u> |
| <u>GROWTH ASSETS</u> | <u>70.0%</u> | |
| <u>Fixed Income</u> | <u>30.0%</u> | <u>20% - 40%</u> |
| <u>Cash Equivalents</u> | <u>0.0%</u> | <u>0% - 5%</u> |
| <u>DEFENSIVE ASSETS</u> | <u>30.0%</u> | |
| <u>Total Fund</u> | <u>100.0%</u> | |

IX

Change in Asset Allocation

As set out in the Policy, the Investment Committee, in consultation with the Investment Consultant and the Actuary, is granted authority to adjust the above allocation of Growth Assets and Defensive Assets as the Plan approaches 95% funded on a basis of Present Value of Benefits, after notifying the President and CEO and Audit and Finance Committee, so long as the allocation to Growth Assets shall not be lower than 60%. Any such change shall be shown in a revised Asset Allocation Schedule, attached to the Policy.

² Non-US Equity Investment Managers may each have allowable tactical ranges for which they may invest a certain percentage in emerging markets. Their investments in emerging markets are purely opportunistic and therefore not included in the Total Fund's target asset allocation.

X. APPENDIX OF INDICES FOR STANDARDS OF MEASUREMENT – ~~DECEMBER~~JULY 1, 2019~~2023~~
 KUB PENSION PLAN – INVESTMENT POLICY – SUMMARY OF PERFORMANCE MEASURES

Note: The Funds, asset allocations and Standards of Measurement set out in the Appendix dated May 3, 2023 to the Pension IPS dated July 1, 2016 shall continue to apply in the interim prior to the selection and appointment of Funds consistent with this July 1, 2023 Policy and the population of this Appendix. An updated Appendix shall be prepared and attached to this Policy to reflect those appointments.

| Portfolio Name / Current Investment Manager | Purpose | Investments | Measurement 1 – Rolling Return | | Measurement 2 – Rolling Return | | Measurement 3 - Volatility | |
|--|--|----------------------------------|--|----------------------------------|-----------------------------------|-------------------|-----------------------------------|-------------|
| <u>Large Cap Equity</u> | | | | | | | | |
| <u>Fidelity 500 Index Fund</u> | <u>On quarterly and annual bases, index should closely track performance and volatility of the S&P 500 Index</u> | | | | | | | |
| <u>Domestic Small/Mid Cap Equity</u> | | | <u>Rolling 3 Year¹</u> | <u>+ Median</u> | <u>Rolling 5 Year²</u> | <u>> index</u> | <u>Rolling 5 Year³</u> | <u>150%</u> |
| <u>Vanguard S&P Mid-Cap 400 Index Fund</u> | <u>On quarterly and annual bases, index should closely track performance and volatility of the S&P 400 Index</u> | | | | | | | |
| <u>Jennison Associates</u> | <u>Capital appreciation</u> | <u>Small Cap stocks</u> | <u>Mercer US Small Cap Core Equity Universe</u> | <u>Russell 2000 Index</u> | <u>Russell 2000 Index</u> | | | |
| <u>Non-US Equity</u> | | | <u>Rolling 3 Year</u> | <u>+ Median</u> | <u>Rolling 5 Year</u> | <u>> index</u> | <u>Rolling 5 Year</u> | <u>150%</u> |
| <u>MFS</u> | <u>Capital appreciation</u> | <u>Non - US developed stocks</u> | <u>Mercer World ex US/EAFE Equity Universe</u> | <u>MSCI EAFE (net) Index</u> | <u>MSCI EAFE (net) Index</u> | | | |
| <u>TS&W</u> | <u>Capital appreciation</u> | <u>Non - US small cap stocks</u> | <u>Mercer World ex US/EAFE Small Cap Equity Universe</u> | <u>MSCI EAFE Small Cap Index</u> | <u>MSCI EAFE Small Cap Index</u> | | | |

¹ On rolling three-year periods, the performance of the portfolio should exceed the median of the stated universe.

² On rolling five-year periods, the annualized performance of the portfolio, net of fees, should exceed the return of the stated index.

³ On rolling five-year periods, the annualized standard deviation of the portfolio's quarterly rate of return should not exceed that of the stated index times that stated percentage.

| Portfolio Name / Current Investment Manager | Purpose | Investments | Measurement 1 – Rolling Return | | Measurement 2 – Rolling Return | | Measurement 3 - Volatility | |
|--|--|--|---|---|--|-----------------------|--|-----------------------|
| <u>Fidelity Total International Index Fund</u> | <u>On quarterly and annual bases, index should closely track performance and volatility of the MSCI ACWI ex US IMI Index</u> | | | | | | | |
| <u>Multi-Asset Credit</u> | | | <u>Rolling 3 Year</u> | <u>+ Median</u> | <u>Rolling 5 Year</u> | <u>> index</u> | <u>Rolling 5 Year</u> | <u>150%</u> |
| <u>TBD</u> | <u>Current income & capital appreciation</u> | <u>Multi-Asset Credit securities</u> | <u>Mercer US Multi-Asset Credit Universe</u> | <u>TBD</u> | <u>TBD</u> | | | |
| <u>US Core Real Estate</u> | | | <u>Rolling 3 Year</u> | <u>+ Median</u> | <u>Rolling 5 Year</u> | <u>> index</u> | <u>Rolling 5 Year</u> | <u>150%</u> |
| <u>TBD</u> | <u>Current income & capital appreciation</u> | <u>Commingled Real Estate Trust and/or REITs</u> | <u>Mercer US Core Real Estate Universe</u> | <u>TBD</u> | <u>NAREIT</u> | | | |
| Fixed Income | | | <u>Rolling 3 Year⁴</u> | <u>+ Median</u> | <u>Rolling 5 Year⁵</u> | <u>> index</u> | <u>Rolling 5 Year⁶</u> | <u>150%</u> |
| Agincourt | Current income | US government & corporate bonds, mortgages | Mercer US Fixed Core Manager Universe | | Barclays Capital Aggregate Index | | Barclays Capital Aggregate Index | |
| Schroder | <u>Current income & capital appreciation</u> | | <u>Long term government & corporate bonds</u> | <u>Mercer US Fixed Long Duration Manager Universe</u> | <u>Barclays Capital Long Government Credit Index</u> | | <u>Barclays Capital Long Government Credit Index</u> | |
| Convertibles | | | | <u>Rolling 3 Year</u> | <u>+ Median</u> | <u>Rolling 5 Year</u> | <u>> index</u> | <u>Rolling 5 Year</u> |

⁴On rolling three-year periods, the performance of the portfolio should exceed the median of the stated universe.

⁵On rolling five-year periods, the annualized performance of the portfolio, net of fees, should exceed the return of the stated index.

⁶On rolling five-year periods, the annualized standard deviation of the portfolio's quarterly rate of return should not exceed that of the stated index times the stated percentage.

| Portfolio Name / Current Investment Manager | Purpose | Investments | Measurement 1 – Rolling Return | | Measurement 2 – Rolling Return | | Measurement 3 - Volatility | |
|---|--|----------------------------------|--------------------------------|---|--------------------------------|---|----------------------------|---|
| | | | | | | | | |
| Harbor (sub-advised by Shenkman) | Current income & capital appreciation | Convertible corporate securities | | Mercer US Convertible Manager Universe | | Thomson Reuters US Focus All-Cap Convertible Bond Index (TR-Balanced) | | Thomson Reuters US Focus All-Cap Convertible Bond Index (TR-Balanced) |
| Large Cap Equity | | | | | | | | |
| Fidelity 500 Index Fund | On quarterly and annual bases, index should closely track performance and volatility of the S&P 500 Index | | | | | | | |
| Mid and Small Cap Equity | | | | Rolling 3 Year + Median | | Rolling 5 Year > index | | Rolling 5 Year |
| Wellington Management | Capital appreciation | Mid Cap stocks | | Mercer US Mid Cap Core Equity Universe | | S&P 400 Mid Cap Index | | S&P 400 Mid Cap Index |
| Jennison Associates | Capital appreciation | Small Cap stocks | | Mercer US Small Cap Core Equity Universe | | Russell 2000 Index | | Russell 2000 Index |
| Real Estate | | | | | | | | |
| Fidelity Real Estate Index Fund | On quarterly and annual bases, index should closely track performance and volatility of the Dow Jones U.S. Select REIT Index | | | | | | | |
| International Equities | | | | Rolling 3 Year + Median | | Rolling 5 Year > index | | Rolling 5 Year |
| MES | Capital appreciation | Non-US developed stocks | | Mercer World ex US/EAFE Equity Universe | | MSCI EAFE Value Index | | MSCI EAFE Value Index |
| TS&W | Capital appreciation | Non-US small cap stocks | | Mercer World ex US/EAFE Small Cap Equity Universe | | MSCI EAFE Small Cap Index | | MSCI EAFE Small Cap Index |

| Portfolio Name / Current Investment Manager | Purpose | Investments | Measurement 1 – Rolling Return | Measurement 2 – Rolling Return | Measurement 3 - Volatility |
|--|---------|-------------|--------------------------------|--------------------------------|--|
| Fidelity Total International Index Fund | | | | | On quarterly and annual bases, index should closely track performance and volatility of the MSCI ACWI ex US IMI Index |

New asset classes, new standards of measurement, changes in benchmarks, and other similar substantive changes to this Appendix shall be reported to the Board’s Audit and Finance Committee prior to adoption by the President and CEO.

All other changes, including a change in manager within an existing asset class with no change in standard of measurement and other similar changes, shall be updated in this Appendix by retirement system staff with notice to the Investment Committee upon adoption by the President and CEO.

RESOLUTION NO. 1481

A Resolution Adopting the Amended and Restated Investment Policy of the Knoxville Utilities Board Asset Accumulation 401(k) Plan

Whereas, the Knoxville Utilities Board of Commissioners (“Board”) previously adopted Resolution 979, as amended, establishing the KUB Retirement System, which includes an Asset Accumulation 401(k) Plan (“Plan”); and the Plan has an Investment Policy (“Policy”), previously approved by the Board, relating to the participant-directed investment of Plan accounts; and

Whereas, the Policy is intended to be dynamic in nature and updated and revised as circumstances change; and through Resolution No. 979, as amended, the Board delegated certain responsibilities for the administration of the Policy to the Retirement System Investment Committee, reserving to the Board approval of Policy amendments; and

Whereas, the Retirement System Investment Committee, upon the advisement of the Retirement System’s Investment Advisor and Counsel, recommended certain changes to the Policy to the President and CEO, including the recommendation to allow for Cash Equivalents, Socially Responsible, and Inflation Sensitive as permitted asset classes for participant-directed investment; and

Whereas, the proposed amended and restated Policy has been presented to and reviewed by the Board’s Audit and Finance Committee (“Committee”), which found the proposed amended and restated Policy to be appropriate and in the best interest of KUB and the Plan and recommended its adoption by the Board through its adoption of Resolution AF-93.

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

Section 1. The Board hereby adopts the amended and restated Policy, attached hereto as Exhibit 1, which shall replace and supersede any Investment Policy previously adopted by the Board for the Plan.

Section 2. That the amended and restated Investment Policy for the KUB Asset Accumulation 401(k) Plan shall become effective July 1, 2023.

Adrienne Simpson-Brown Chair

Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: _____
EFFECTIVE DATE: _____
MINUTE BOOK 46 PAGE _____

KNOXVILLE UTILITIES BOARD

**ASSET ACCUMULATION
401(k) PLAN**

STATEMENT OF INVESTMENT POLICY

JULY 1, 2023

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I. INTRODUCTION

The Knoxville Utilities Board (“KUB”) Retirement System consists of two plans: the KUB Pension Plan (“Pension Plan”) and the KUB Asset Accumulation 401(k) Plan (“401(k) Plan”). The Pension Plan is closed to new entrants. Employees last hired on or before December 31, 2010, are covered by both Plans; employees last hired after December 31, 2010, are covered by the 401(k) Plan. The Plans provide retirement, death and disability benefits to participants, retirees and beneficiaries (collectively, “Participants”).

The 401(k) Plan is funded by Participants who elect to contribute. KUB also contributes to the 401(k) Plan on behalf of Participants. KUB takes responsibility for providing a broad range of mutual funds and similar investment options, including mutual funds and commingled or collective accounts or trusts (all of which are referred to individually or collectively as, “Fund,” or “Funds”). Participants may direct the investment of their individual 401(k) Plan Accounts among the available choices. This Statement of Investment Policy (“Policy”) sets out the goals and objectives for those investment options and provides for the designation of the default investment, in cases where a Participant does not otherwise direct the investment of any Account balance.

II. PURPOSE

Under the 401(k) Plan, Participants are able to structure a personal investment program from the Funds offered. KUB intends to provide a range of diverse investment choices to accommodate the individual needs and risk tolerances of Participants. KUB has developed this Policy to fulfill its fiduciary obligation, to provide a basis for selecting the Funds to be made available, to establish expectations for the investment performance of those Funds to assure Participants will have access to sound investment alternatives on a continuing basis, and to document the benchmarks against which individual Funds will be measured.

This Policy:

- 1) Provides written documentation of KUB's expectations regarding the Funds offered under the 401(k) Plan.
- 2) Establishes objectives, performance standards, and guidelines for the Funds available.
- 3) Outlines criteria and procedures for the ongoing evaluation of the Funds, and the total investment program.

This Policy is intended to be dynamic in nature and will be updated and revised as circumstances change.

This Policy was last amended effective July 1, 2023, on the approval of the KUB Board of Commissioners ("Board") based on the recommendation of the Retirement System Investment Committee ("Investment Committee"), with the advice of the Investment Consultant, Mercer Investment Consulting, LLC.

III. RESPONSIBILITIES

KUB is responsible for assuring that the investment program for the 401(k) Plan and each investment option is managed:

- Prudently and in compliance with applicable laws and regulations; and
- For the exclusive benefit of Participants.

In Resolution No. 979, as amended (“Retirement System Resolution”), the Board established the Retirement System and delegated to the Investment Committee certain responsibilities. The primary responsibilities of the Investment Committee are listed below. For a complete description of the responsibilities of the Investment Committee and other various parties, please refer to the Retirement System Resolution, the 401(k) Plan Document and 401(k) Plan Trust Agreement.

- Recommend to the President and CEO, for recommendation to the Board, a Policy for the 401(k) Plan and amendments to the Policy from time to time;
- Monitor and evaluate investment performance;
- Recommend modification of the investment options, as appropriate;
- Recommend to the President and CEO the replacement of Funds, if, at the discretion of the Investment Committee based on the advice of the Investment Consultant, such Funds fail to meet performance expectations set forth in this Policy over the long-term;
- Implement procedures for the investment, management, supervision and control of 401(k) Plan Funds;
- Recommend to KUB’s President and CEO appointment and removal of Trustees and Funds; and
- Upon the advice of the Investment Consultant, recommend to the President and CEO for approval, as part of this Policy’s attached Appendix of Indices for Standards of Measurement and Designation of Default Investment (“Appendix”), the default investment for use in cases where a Participant does not otherwise direct the investment of any 401(k) Plan Account balance; provided that the President and CEO shall report to the Audit and Finance Committee of the Board prior to approving any such default investment.

The Investment Committee shall meet several times a year to review the performance of the Funds and hear from its Investment Consultant. Any changes in the Investment Policy may be initiated by the Investment Committee upon motion of any member. Recommendations for changes approved by the Investment Committee are transmitted to KUB’s President and CEO for presentation through the Audit and Finance Committee to the Board. Changes are effective upon approval by the Board.

This Policy establishes Standards of Measurement for each investment category within the 401(k) Plan. The particular benchmarks used in the Standards of Measurement are designated in the Appendix. The Board has delegated to the President and CEO responsibility and authority to amend the Appendix and those benchmarks from time-to-time based on the recommendation of the Investment Committee, which shall act upon the advice of the Investment Consultant. The President and CEO shall report to the Audit and Finance Committee of the Board prior to adopting any such changes in the Appendix or benchmarks for Standards of Measurement. The President and CEO shall cause any such amended Appendix to be attached to this Policy whenever such changes are made.

Delegation of Responsibilities

Under the Charter of the City of Knoxville, Section 1107(j), the Retirement System is authorized to delegate certain responsibilities to qualified agents to assist it in properly meeting the overall Retirement System responsibilities as outlined above. Specifically, in the Retirement System Resolution, the Board has delegated responsibility: to the President and CEO to appoint a Trustee and select Funds; to the Administrative Committee of the Retirement System to select Legal Counsel and an Actuary; and to the Investment Committee to appoint an Investment Consultant.

- **Trustee** - The designated non-discretionary Trustee is delegated the following responsibilities:
 - Except to the extent the Funds are responsible for such action, perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock;
 - Safekeep all assets including securities, cash and cash equivalents;
 - Provide monthly transaction accounting on security holdings with reports provided to the Retirement System in a timely manner;
 - Unless and until assumed by the Retirement System or the third-party administrator, process annual tax reporting to the Internal Revenue Service and to retirees and beneficiaries in a timely manner; and
 - Provide oversight responsibility relating to the security and safekeeping of 401(k) Plan Trust assets normally expected of a Trustee acting in this capacity.

As provided in the Retirement System Resolution, for purposes of this Policy, the term, “Trustee” shall include custodians as well as trustees, and the term “Trust Agreement” shall include custody agreements as well as trust agreements, as allowed by applicable provisions of the Internal Revenue Code and IRS Regulations for tax qualified plans; provided, however, prior to accepting the Investment Committee’s recommendation for the appointment of a custodian in place of the trustee of the 401(k) Plan, the President and CEO shall notify the Audit and Finance Committee.

- **Funds** – The designated Fund Managers shall undertake the following responsibilities in accordance with applicable law and the Fund prospectus:
 - Exercise complete investment discretion for investments in their Funds;
 - Strictly comply with all of the provisions of applicable law as they pertain to dealings, functions and responsibilities as Funds;
 - Diversify the Fund so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent to not so diversify; and
 - Invest the assets of the Fund with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims.
- **Investment Consultant** – The designated Investment Consultant shall undertake the following responsibilities:
 - Provide comprehensive, periodic evaluations of the investment results achieved by the designated Funds in light of the investment guidelines and performance standards contained in this Policy;
 - Make recommendations to the Retirement System of appropriate actions to be considered which, in the Investment Consultant’s opinion, will enhance the probability of achieving overall Fund objectives. Such recommendations may include, but are not limited to:
 - Use of traditional or alternate assets strategies or asset classes;
 - Changes in overall investment policy; and
 - Changes in designated Funds.
 - Assist the Retirement System in monitoring, screening and selecting Funds as appropriate.
- **Legal Counsel** – The Retirement System’s designated Legal Counsel will advise and represent KUB, the Board and the Retirement System in all matters requiring legal insight and advice pertaining to the Retirement System.
- **Actuary** – The Retirement System’s designated Actuary shall have the following responsibilities:
 - Conduct special experience and actuarial studies as required by the Retirement System.

IV. INVESTMENT OPTION STRUCTURE

Investment Options

The menu of Funds are intended to offer a broad array of investment options with different risk and return characteristics that will enable a Participant to construct a portfolio that, in the aggregate, will meet his/her own individually desired risk and return characteristics and investment goals.

The Plan offers Funds that allow Participants: to invest to preserve capital (e.g., stable value or money market Funds); to rely on professional management in pursuit of chosen risk-return characteristics (e.g., target date or target risk Funds); to individually allocate among a variety of growth and defensive asset Funds (e.g., US equity, International equity, and bond Funds); or to choose from a universe of funds available through the Brokerage Window.

The Committee will periodically review the investments in accordance with applicable good practice to determine if Funds should be modified, eliminated or added.

On the basis of those considerations, the Plan will offer Funds that may be mutual funds, commingled funds, collective investment trusts, or separate accounts in all or some of following asset classes/categories. Multiple options can be offered in each asset class to provide a broad array with different risk and return characteristics. Options can include both active and/or passively managed Funds. Specific details of currently offered Funds and Standards of Measurements can be found in the Appendix.

- A. Lifecycle/Target-Date Funds
- B. Balanced/Allocation Target-Risk Funds
- C. Cash or Equivalents
- D. Stable Value
- E. U.S. Fixed Income
- F. U.S./Global Inflation-Protection
- G. U.S. Equities
- H. Global/International Equities
- I. U.S./Global Socially Responsible Equities

Self-Directed Brokerage Option

In an effort to provide Participants with maximum investment flexibility, under rules, evaluation criteria, and procedures to be developed and modified from time-to-time by the Investment Committee, a self-directed brokerage option may be offered in the 401(k) Plan, allowing Participants to invest in a broad range of publicly traded Funds, but excluding single security investments, short sales, options, futures, limited partnerships, currency trading, and trading on margin. The Investment Committee may: set limits on the portion of a Participant's account balance that may be invested through the Self-Directed Brokerage Option; fix conditions for participation in this Option; and determine the availability of the Self-Directed Brokerage Option. Participants who elect to use the Self-Directed Brokerage Option are allocated all costs associated.

Review Procedures

The Investment Committee evaluates investment fees at the time of manager selection, and periodically, both as to the Fund's absolute fees as well as compared to other managers in the appropriate universe, and in relation to the investment services provided.

Performance will be reviewed at least annually based on the Standards of Measurement defined below.

Standards of Measurement

To serve as the basis for evaluation, each Fund's performance, investment management fees and transaction costs, will be evaluated against the applicable Standards of Measurement set out in the Appendix, as amended from time-to-time. From time-to-time, the Fund may not achieve one or more of these Standards of Measurement but will be expected to achieve them over the long-term.

Additionally, the Investment Committee will consider the quality and consistency of each Fund's investment team and other appropriate qualitative characteristics, including, but not limited to, material changes to a Fund's investment process, material litigation or regulatory action that may impact future performance or the reputation or stability of the provider, application of generally accepted investment theories and prevailing practices, and utilization of the Fund by Participants.

V. GUIDELINES FOR ASSET CLASS EVALUATION

A. Lifecycle/Target-Date Funds

Purpose

Comprised of Target Date Funds which are primarily offered for Participants who wish to have their asset allocation decisions set by a Fund that uses glide paths for varying retirement dates. Multiple Target Date Funds from one family of such Funds are offered, each with a different target maturity date to accommodate Participants of varying ages and anticipated retirement dates. Participants typically choose the Target Date Fund that is closest to their target retirement date. Each Fund's asset allocation is determined by the Fund Manager's proprietary model. The mixes of the Funds are dynamic and change over time. The risk level for each Fund will vary from very high to moderate and is a function of the number of years until the Fund's expected maturity date. Later dated maturity Funds have the goal of capital appreciation, progressively shifting its investment focus to capital preservation as the Fund nears maturity date.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Target Date Funds:

- Investment in a diversified portfolio of securities including, but not limited to, domestic and international equities and fixed income securities and/or funds.
- Target Date Funds may contain a combination of equity or equity alternative securities (American Depositary Receipts ("ADRs"), issues convertible into common stock, etc.), fixed income securities and cash equivalents.
- No specific constraints as to market capitalization, earnings cash flow record or credit quality is expected, but the overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective.

A Target Date Fund may be made up of underlying funds of appropriate investment or asset categories.

B. Balanced Funds

Purpose

The primary purpose of the Balanced Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide a balance between capital appreciation and current income. This alternative is expected to provide Participants with a professionally managed blend of equity and fixed income securities.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Balanced Fund(s):

- Investment in a high-quality, diversified portfolio of securities appropriately balanced as to equities and fixed income securities.
- Balanced portfolios shall mean portfolios containing a combination of equity (domestic and international) or equity alternative securities (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), fixed income securities and cash equivalents.
- The overall portfolio structure is expected to be consistent with the expectation of returns comparable to those achieved by a portfolio weighted 60% to an appropriate large cap equity benchmark and 40% to an appropriate aggregate bond benchmark and risk levels appropriate to the investment class and style of investment.

C. Cash or Equivalents

Purpose

The primary purpose of the Cash or Cash Equivalent Fund(s) is to afford Participants the opportunity to preserve capital in the short- and long-term while maintaining consistency of returns. This Fund(s), over the long-term, is expected to meet or exceed short-term interest rates in most economic environments.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Cash or Cash Equivalent Fund(s):

Appropriate Investments within the Fund:

- Money market/short-term fixed income instruments.

D. Stable Value

Purpose

The primary purpose of the Stable Value Fund(s) is to afford Participants the opportunity to preserve capital in the short- and long-term while maintaining consistency of returns and maximum flexibility. This Fund(s), over the long-term, is expected to meet or exceed short-term interest rates in most economic environments.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Stable Value Fund(s):

Appropriate Investments within the Fund:

- Investment contracts (guaranteed investment contracts (“GICs”) and bank investment contracts (“BICs”)) issued by insurance companies and banks as unsecured general obligations.
- GIC separate account and synthetic GIC contracts issued by banks, insurance companies, and other financial institutions that provide for direct ownership of, or an enhanced claim on, the underlying securities supporting the contracts’ liabilities.
- Money market/short-term instruments.

E. U.S. Fixed Income

Purpose

The primary purpose of the U.S. Fixed Income Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in an option whose investment strategy is expected to provide current income and capital preservation.

Guidelines for Evaluation

These general operating guidelines have been adopted for the U.S. Fixed Income Fund(s):

- Investment in a diversified, high-quality, portfolio comprised primarily of securities contained within the designated fixed income aggregate index.
- High-quality fixed-income shall mean U.S. Government and agency securities as well as corporate bonds, mortgage-backed securities, asset-backed securities and collateralized mortgage obligations (“CMOs”). The fund manager may make use of other sectors including High Yield and Emerging Market debt to increase diversification and enhance returns opportunistically.
- The overall Fund structure should be consistent with the expectation of returns comparable to those achieved by an appropriate aggregate bond benchmark and risk levels appropriate to the investment class and style of investment.

F. U.S./Global Inflation Protection

Purpose

The primary purpose of the U.S./Global Inflation Protection Fund(s) is to afford Participants the opportunity to seek inflation protection through inflation sensitive investments.

Guidelines for Evaluation

These general operating guidelines have been adopted for the U.S./Global Inflation Protection Fund(s):

- Investment in a diversified portfolio comprised primarily of inflation sensitive securities contained within the designated index. Investments can include, but are not limited to inflation sensitive equities, U.S. Treasury Inflation-Protected Securities (TIPS), Commodities, Precious Metals, and US Real Estate (REIT). Asset allocation to underlying asset class may vary due to market environment.
- The overall Fund structure should be consistent with the expectation of returns comparable to those achieved by an appropriate benchmark and risk levels appropriate to the investment class and style of investment.

G. U.S. Equities

Purpose

The primary purpose of the U.S. Equity Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. These Fund(s), over the long-term, are expected to offer Participants higher returns, with increased potential for volatility in the short-term.

Guidelines for Evaluation

These general operating guidelines have been adopted for the U.S. Equity Fund(s):

- Investment in a diversified equity portfolio comprised primarily of stocks contained within its respective widely recognized and reported index.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.

- The overall Fund structure should be consistent with the expectation of returns comparable to those achieved by the designated index and risk levels appropriate to the investment class.

H. Global/International Equities

Purpose

The primary purpose of the Global/International Equity Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund(s), over the long-term, is expected to offer Participants higher returns, with increased potential for volatility in the short-term.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Global/International Equity Fund(s):

- Investment in a diversified equity-oriented portfolio of stocks domiciled outside of the United States.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the expectation of returns comparable to those achieved by an appropriate global/international equity benchmark and risk levels appropriate to the investment class and style of investment.

I. U.S./Global Socially Responsible Equities

Purpose

The primary purpose of the U.S./Global Socially Responsible Equity Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation while placing an increased focused on environment, social, or governance factors identified by the Fund. This Fund(s), over the long-term, is expected to offer Participants higher returns, with increased potential for volatility in the short-term.

Guidelines for Evaluation

These general operating guidelines have been adopted for the U.S./Global Socially Responsible Equity Fund(s):

- Investment in a diversified equity-oriented portfolio of stocks similar to its respective index.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the expectation of returns comparable to those achieved by an appropriate U.S./global socially responsible equity benchmark and risk levels appropriate to the investment class and style of investment.

VI. APPENDIX OF INDICES FOR STANDARDS OF MEASUREMENT AND DESIGNATION OF DEFAULT INVESTMENT
KUB 401(k) PLAN – INVESTMENT POLICY – SUMMARY OF PERFORMANCE MEASURES – JULY 1, 2023

| Asset Class/Current Fund Name | Purpose | Investments | Measurement 1 – Fund’s Return on a Rolling 3 Year basis: ¹ | Measurement 2 – Fund’s Return on a Rolling 5 Year basis: ² | Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: ³ | |
|---|---------------------------------------|---|---|---|---|------|
| Target Date Funds /SSgA Target Retirement | Current Income & Capital Appreciation | Combined Equity, Fixed Income & Cash Equivalent | On quarterly and annual bases, Target Date Funds should equal or exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by the Investment Consultant | On quarterly and annual bases, Target Date Funds should equal or exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by the Investment Consultant | Should not exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by the Investment Consultant | 125% |

DESIGNATION OF DEFAULT INVESTMENT

The Target Date Funds are hereby designated as the default investment in those cases where a Participant does not otherwise effectively direct the investment of any 401(k) Plan Account balance. The particular Target Date Fund, from among those offered under the 401(k) Plan, that has a target date closest to any individual Participant’s 65th birthday shall be treated as the default investment for that Participant.

¹ On rolling three-year periods, the performance of the Fund should exceed the performance of the stated index.

² On rolling five-year periods, the performance of the Fund should exceed the performance of the stated index.

³ On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.

| Asset Class/Current Fund Name | Purpose | Investments | Measurement 1 – Fund’s Return on a Rolling 3 Year basis: ⁴ | | Measurement 2 – Fund’s Return on a Rolling 5 Year basis: ⁵ | Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: ⁶ | |
|--|---|--|--|----------|---|---|------|
| | | | | +Median | | | |
| Balanced Fund /Dodge & Cox Balanced | Balance Current Income & Capital Appreciation | Blend of Equity, Fixed Income & Cash Equivalents | Mercer MF U.S. Balanced | +Median | 60% S&P 500 & 40% Bloomberg U.S. Aggregate Index | 60% S&P 500 & 40% Bloomberg U.S. Aggregate Index | 120% |
| Stable Value Fund /Fidelity Managed Income Portfolio | Stable Investment | GICs & BICs | FTSE 3 Month T-Bill | | FTSE 3 Month T-Bill | None | |
| U.S. Fixed Income /Fidelity U.S. Bond Index Fund | Current Income & Capital Preservation | U.S. Govt. & Corp. Bonds Average A Grade | On quarterly and annual bases, Fund should closely track performance and volatility of Bloomberg U.S. Aggregate Bond Index | | | | |
| U.S. Fixed Income/ Prudential Core Plus Bond CIT | Current Income & Capital Preservation | U.S. Govt. & Corp. Bonds Average A Grade | Mercer MF U.S. Fixed Combined | +Median | Bloomberg U.S. Aggregate Bond Index | Bloomberg U.S. Aggregate Bond Index | 110% |
| U.S. Equities/Fidelity 500 Index Fund | Capital Appreciation | S&P 500 Stocks | On quarterly and annual bases, Fund should closely track performance and volatility of S&P 500 Index | | | | |
| U.S. Equities / T.Rowe Price Institutional Large Cap Value | Capital Appreciation | Large Cap – Appreciation by Improving Valuations | Mercer MF U.S. Large Cap Value | + Median | Russell 1000 Value Index | Russell 1000 Value Index | 125% |

⁴ On rolling three-year periods, the performance of the Fund should exceed the median of the stated universe (and in the case of the Stable Value Fund, by at least the amount stated).

⁵ On rolling five-year periods, the performance of the Fund should exceed the return of the stated index (and in the case of the Stable Value Fund, by at least the amount stated).

⁶ On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.

| Asset Class/Current Fund Name | Purpose | Investments | Measurement 1 – Fund’s Return on a Rolling 3 Year basis: ⁷ | | Measurement 2 – Fund’s Return on a Rolling 5 Year basis: ⁸ | Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: ⁹ | |
|--|----------------------|---|--|----------|---|---|------|
| | | | | | | | |
| U.S. Equities /T. Rowe Price Institutional Large Cap Core Growth | Capital Appreciation | Large Cap – Appreciation by Earnings Growth | Mercer MF U.S. Large Cap Growth | + Median | Russell 1000 Growth Index | Russell 1000 Growth Index | 125% |
| U.S. Equities /Fidelity Extended Market Index Fund | Capital Appreciation | Small to Mid Cap Equity | On quarterly and annual bases, Fund should closely track performance and volatility of Dow Jones U.S. Completion TSM Index | | | | |
| U.S. Equities /GW&K Small/Mid Cap | Capital Appreciation | Small to Mid Cap Equity – Improved Valuations | Mercer MF U.S. Small + Mid Cap Core | + Median | Russell 2500 Index | Russell 2500 Index | 150% |
| Global/International Equity /Fidelity Total International Index Fund | Capital Appreciation | Non-U.S. Equity | On quarterly and annual bases, Fund should closely track performance and volatility of MSCI ACWI Ex-US IMI (net)Index | | | | |
| International Equity Fund/Fidelity International Discovery | Capital Appreciation | Non-U.S. Equity | Mercer MF International Equity | + Median | MSCI EAFE (net) Index | MSCI EAFE (net) Index | 125% |

MF = Mutual Fund

New asset classes, new standards of measurement, changes in benchmarks, and other similar substantive changes to this Appendix shall be reported to the Board’s Audit and Finance Committee prior to adoption by the President and CEO.

All other changes, including a change in manager within an existing asset class with no change in standard of measurement and other similar changes, shall be updated in this Appendix by retirement system staff with notice to the Investment Committee upon adoption by the President and CEO.

⁷ On rolling three-year periods, the performance of the Fund should exceed the median of the stated universe (and in the case of the Stable Value Fund, by at least the amount stated).

⁸ On rolling five-year periods, the performance of the Fund should exceed the return of the stated index (and in the case of the Stable Value Fund, by at least the amount stated).

⁹ On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.

RESOLUTION NO. AF-93

A Resolution Recommending the Knoxville Utilities Board of Commissioners ("Board") Amend and Restate the Investment Policy ("Policy") of the Knoxville Utilities Board ("KUB") Asset Accumulation 401(k) Plan ("Plan")

Whereas, Board Resolution No. 979, as amended, delegated certain responsibilities for the administration of the Plan to the Retirement System Investment Committee, including the responsibility to recommend amendments to the Policy to the President and CEO from time to time; and

Whereas, the Retirement System Investment Committee, upon the advisement of the Retirement System's Investment Consultant, has recommended certain amendments to the Policy to the President and CEO; and

Whereas, the proposed amendments to the Policy have been presented to and reviewed by the Board's Audit and Finance Committee ("Committee"); and

Whereas, the Committee finds the proposed amendments to the Policy to be appropriate and in the best interest of KUB and participants in the Plan; and

Whereas, the Policy may only be amended upon approval of the Board; and

Whereas, the Committee recommends the Board adopt the proposed amendments to the Policy.

Now, Therefore, Be It Hereby Resolved by the Audit and Finance Committee of the Knoxville Utilities Board of Commissioners:

Section 1. The Committee approves the proposed amendments to the Policy and recommends the Board adopt the amended and restated Policy, as set forth in Exhibit 1 to this Resolution.

Section 2. Be it Further Resolved that this Resolution shall take effect in accordance with its terms from and after its passage.



Kathy Hamilton, Committee Chair

Approved on 1st
& Final Reading: 5-3-23
Effective Date: 5-3-23

KNOXVILLE UTILITIES BOARD

**ASSET ACCUMULATION
401(k) PLAN**

STATEMENT OF INVESTMENT POLICY

JULY 1, ~~2020~~2023

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I. INTRODUCTION

The Knoxville Utilities Board (“KUB”) Retirement System consists of two plans: the KUB Pension Plan (“Pension Plan”) and the KUB Asset Accumulation 401(k) Plan (“401(k) Plan”). The Pension Plan is closed to new entrants. Employees last hired on or before December 31, 2010, are covered by both Plans; employees last hired after December 31, 2010, are covered by the 401(k) Plan. The Plans provide retirement, death and disability benefits to participants, retirees and beneficiaries (collectively, “Participants”).

The 401(k) Plan is funded by Participants who elect to contribute. KUB also contributes to the 401(k) Plan on behalf of Participants. KUB takes responsibility for providing a broad range of mutual funds and similar investment options, including mutual funds and commingled or collective accounts or trusts (all of which are referred to individually or collectively as, “Fund,” or “Funds”). Participants may direct the investment of their individual 401(k) Plan Accounts among the available choices. This Statement of Investment Policy (“Policy”) sets out the goals and objectives for those investment options and provides for the designation of the default investment, in cases where a Participant does not otherwise direct the investment of any Account balance.

II. PURPOSE

Under the 401(k) Plan, Participants are able to structure a personal investment program from the Funds offered. KUB intends to provide a range of diverse investment choices to accommodate the individual needs and risk tolerances of Participants. KUB has developed this Policy to fulfill its fiduciary obligation, to provide a basis for selecting the Funds to be made available, to establish expectations for the investment performance of those Funds to assure Participants will have access to sound investment alternatives on a continuing basis, and to document the benchmarks against which individual Funds will be measured.

This Policy:

- 1) Provides written documentation of KUB's expectations regarding the Funds offered under the 401(k) Plan.
- 2) Establishes objectives, performance standards, and guidelines for the Funds available.
- 3) Outlines criteria and procedures for the ongoing evaluation of the Funds, and the total investment program.

This Policy is intended to be dynamic in nature and will be updated and revised as circumstances change.

This Policy was last amended effective July 1, ~~2020~~2023, on the approval of the KUB Board of Commissioners ("Board") based on the recommendation of the ~~Board's Audit and Finance Committee, on advice of the~~ Retirement System Investment Committee ("Investment Committee")~~and its~~, with the advice of the Investment Consultant, Mercer Investment Consulting, LLC.

III. RESPONSIBILITIES

KUB is responsible for assuring that the investment program for the 401(k) Plan and each investment option is managed:

- Prudently and in compliance with applicable laws and regulations; and
- For the exclusive benefit of Participants.

In Resolution No. 979, as amended (“Retirement System Resolution”), the Board established the Retirement System and delegated to the Investment Committee certain responsibilities. The primary responsibilities of the Investment Committee are listed below. For a complete description of the ~~legal~~ responsibilities of the Investment Committee and other various parties, please refer to the Retirement System Resolution, the 401(k) Plan Document and 401(k) Plan Trust Agreement.

- Recommend to the President and CEO, for recommendation to the Board, a Policy for the 401(k) Plan, ~~including investment policies, objectives and benchmarks for each investment option,~~ and amendments to the Policy from time to time;
- Monitor and evaluate investment performance. ~~It is understood that the Funds may, from time to time, fail to meet various performance benchmarks. However, the Investment Committee will endeavor to evaluate performance, in the short term, in the context of the 401(k) Plan’s long term objectives;~~
- Recommend modification of the investment options, as appropriate;
- Recommend to the President and CEO the replacement of Funds, if, at the discretion of the Investment Committee based on the advice of the Investment Consultant, such Funds fail to meet performance expectations set forth in this Policy over the long-term;
- Implement procedures for the investment, management, supervision and control of 401(k) Plan Funds;
- Recommend to KUB’s President and CEO appointment and removal of Trustees and Funds; and
- Upon the advice of the Investment Consultant, recommend to the President and CEO for approval, as part of this Policy’s attached Appendix of Indices for Standards of Measurement and Designation of Default Investment (“Appendix”), the default investment for use in cases where a Participant does not otherwise direct the investment of any 401(k) Plan Account balance; provided that the President and CEO ~~is required to~~ **shall** report to the Audit and Finance Committee of the Board prior to approving any such default investment.

The Investment Committee shall meet several times a year to review the performance of the Funds and hear from its Investment Consultant. Any changes in the Investment Policy may be initiated

by the Investment Committee upon motion of any member. Recommendations for changes approved by the Investment Committee are transmitted to KUB's President and CEO for presentation through the Audit and Finance Committee to the Board. Changes are effective upon approval by the Board.

This Policy, ~~as recommended by the Investment Committee and approved by the Board on the recommendation of the President and CEO,~~ establishes Standards of Measurement for each investment category within the 401(k) Plan. The particular benchmarks used in the Standards of Measurement are designated in the Appendix. The Board has delegated to the President and CEO responsibility and authority to amend the Appendix and those benchmarks from time-to-time based on the recommendation of the Investment Committee, which shall act upon the advice of the Investment Consultant. The President and CEO ~~is required to~~shall report to the Audit and Finance Committee of the Board prior to adopting any such changes in the Appendix or benchmarks for Standards of Measurement. The President and CEO shall cause any such amended Appendix to be attached to this Policy whenever such changes are made.

Delegation of Responsibilities

Under the Charter of the City of Knoxville, Section 1107(j), the Retirement System is authorized to delegate certain responsibilities to qualified agents to assist it in properly meeting the overall Retirement System responsibilities as outlined above. Specifically, in the Retirement System Resolution, the Board has delegated responsibility: to the President and CEO to appoint a Trustee and select Funds; to the Administrative Committee of the Retirement System to select Legal Counsel and an Actuary; and to the Investment Committee to appoint an Investment Consultant.

- **Trustee** - The designated non-discretionary Trustee is delegated the following responsibilities:
 - Except to the extent the Funds are responsible for such action, perform, participate in and exercise such rights, privileges, duties and responsibilities possessed by any other owner or holder of bonds or other evidence of indebtedness and common and preferred stock;
 - Safekeep all assets including securities, cash and cash equivalents;
 - Provide monthly transaction accounting on security holdings with reports provided to the Retirement System in a timely manner;
 - Unless and until assumed by the Retirement System or the third-party administrator, process annual tax reporting to the Internal Revenue Service and to retirees and beneficiaries in a timely manner; and
 - Provide oversight responsibility relating to the security and safekeeping of 401(k) Plan Trust assets normally expected of a Trustee acting in this capacity.

As provided in the Retirement System Resolution, for purposes of this Policy, the term, "Trustee" shall include custodians as well as trustees, and the term "Trust Agreement" shall

include custody agreements as well as trust agreements, as allowed by applicable provisions of the Internal Revenue Code and IRS Regulations for tax qualified plans; provided, however, prior to accepting the Investment Committee's recommendation for the appointment of a custodian in place of the trustee of the 401(k) Plan, the President and CEO shall ~~provide notice to~~notify the Audit and Finance Committee.

- **Funds** – The designated Fund Managers shall undertake the following responsibilities in accordance with applicable law and the Fund prospectus:
 - Exercise complete investment discretion for investments in their Funds;
 - Strictly comply with all of the provisions of applicable law as they pertain to dealings, functions and responsibilities as Funds;
 - Diversify the Fund so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent to not so diversify; and
 - Invest the assets of the Fund with care, skill, prudence and diligence under circumstances then prevailing that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of a like character and with such aims.
- **Investment Consultant** – ~~It shall be the responsibility of the~~The designated Investment Consultant ~~to assist the Retirement System with~~shall undertake the following ~~functions:~~responsibilities:
 - Provide comprehensive, periodic evaluations of the investment results achieved by the designated Funds in light of the investment guidelines and performance standards contained in this Policy;
 - Make recommendations to the Retirement System of appropriate actions to be considered which, in the Investment Consultant's opinion, will enhance the probability of achieving overall Fund objectives. Such recommendations may include, but are not limited to:
 - Use of traditional or alternate assets strategies or asset classes;
 - Changes in overall investment policy; and
 - Changes in designated Funds.
 - Assist the Retirement System in monitoring, screening and selecting Funds as appropriate.
- **Legal Counsel** – The Retirement System's designated Legal Counsel will advise and represent KUB, the Board and the Retirement System in all matters requiring legal insight and advice pertaining to the Retirement System.
- **Actuary** – The Retirement System's designated Actuary shall have the following responsibilities:

- Conduct special experience and actuarial studies as required by the Retirement System.

IV. INVESTMENT OPTION STRUCTURE

Investment Options

The menu of Funds are intended to offer a broad array of investment options with different risk and return characteristics that will enable a Participant to construct a portfolio that, in the aggregate, will meet his/her own individually desired risk and return characteristics and investment goals.

The Plan offers Funds that allow Participants: to invest to preserve capital (e.g., stable value or money market Funds); to rely on professional management in pursuit of chosen risk-return characteristics (e.g., target date or target risk Funds); to individually allocate among a variety of growth and defensive asset Funds (e.g., US equity, International equity, and bond Funds); or to choose from a universe of funds available through the Brokerage Window.

~~Investment options offered to Participants through the 401(k) Plan consist of the following four tiers that may be used in Participant-directed combinations to diversify their investments: (i) a selection of target date or lifecycle Funds covering the spectrum of expected retirement ages, (ii) a choice of passively managed index Funds across a range of major asset classes, (iii) an appropriate variety of selected actively managed Funds across a number of asset classes, and (iv) a self-directed brokerage option. Using a single tier or two or more tiers allows each Participant to select the level of involvement he or she wishes to have in the investment management process, and to have some control over the cost he or she is willing to bear.~~

~~To achieve diversity in the investment options offered, technical criteria are defined to establish material differences between and among potential investment options within the various tiers (see descriptions of allowable Funds in Policy Sections V, VI and VII). The Investment Committee also analyzed prospective investment options in terms of their potential attractiveness to Participants, given their demographic characteristics. Consideration was given to the number of options within each tier, and the need to offer clear choices, but also to provide a broad spectrum of risk and reward investment profiles, asset classes and management styles, as well as an appropriate range of investment options of varying levels of cost.~~

~~On the basis of those considerations, the following asset classes within the designated tiers are currently considered to provide appropriate ranges within which the Investment Committee may choose to offer particular Funds:~~

The Committee will periodically review the investments in accordance with applicable good practice to determine if Funds should be modified, eliminated or added.

On the basis of those considerations, the Plan will offer Funds that may be mutual funds, commingled funds, collective investment trusts, or separate accounts in all or some of following asset classes/categories. Multiple options can be offered in each asset class to provide a broad array with different risk and return characteristics. Options can include both active and/or passively managed Funds. Specific details of currently offered Funds and Standards of Measurements can be found in the Appendix.

- A. Lifecycle/Target-Date Funds
- B. Balanced/Allocation Target-Risk Funds
- C. Cash or Equivalents
- D. Stable Value
- E. U.S. Fixed Income
- F. U.S./Global Inflation-Protection
- G. U.S. Equities
- H. Global/International Equities
- I. U.S./Global Socially Responsible Equities

● ~~Target Date Tier~~

- ~~A selection of Funds with target dates commensurate with the spectrum of expected retirement ages of KUB employees, which may be adjusted to remove or add additional target dates from time to time.~~

● ~~Index Tier~~

- ~~Core Fixed Income Index Fund~~
- ~~Large Cap Equity Index Fund~~
- ~~Small & Mid Cap Equity Index Fund~~
- ~~International Equity Index Fund~~

● ~~Active Management Tier~~

- ~~Stable Value Fund~~
- ~~Core Fixed Income Fund~~
- ~~Balanced Fund~~
- ~~Large Cap Equity Fund~~
- ~~Mid Cap Equity Fund~~
- ~~Small Cap Equity Fund~~
- ~~International Equity Fund~~

~~Within the Active Management Tier, Equity Funds at the indicated capitalizations may be offered that focus on various styles (core, value or growth) and, in the case of International Equity Funds, on companies of various capitalizations; in addition, Equity Funds covering both Mid Cap and Small Cap (SMID Cap) may be offered~~

● ~~Specialty Tier~~

- ~~Self Directed Brokerage~~

~~The Investment Committee shall recommend to the President and CEO from time to time specific Funds to be included in each Tier, within the asset classes identified above. Policy Sections V, VI and VII below describe some of the Funds that may be offered within asset classes for Target Date, Index and Active Management Tiers. Other Funds may be offered as authorized by this Policy Section IV.~~

Additional Passive Investment Options

~~The Investment Committee is also authorized from time to time as it determines appropriate to expand the list of available passively managed Funds in the Index Tier to include other broad domestic or international fixed income or equity market categories as the Investment Committee may determine desirable. In that event, appropriate Standards of Measurement for any such passively managed Funds shall be recommended by the Investment Committee to the President and CEO and reported to the Audit and Finance Committee of the Board for addition to the Appendix, pursuant to the procedures described in Section III above.~~

Self-Directed Brokerage Option

In an effort to provide Participants with maximum investment flexibility, under rules, evaluation criteria, and procedures to be developed and modified from time-to-time by the Investment Committee, a self-directed brokerage option may be offered in the 401(k) Plan, allowing Participants to invest in a broad range of publicly traded Funds, but excluding single security investments, short sales, options, futures, limited partnerships, currency trading, and trading on margin. The Investment Committee may: set limits on the portion of a Participant's account balance that may be invested through the Self-Directed Brokerage Option; fix conditions for participation in this Option; and determine the availability of the Self-Directed Brokerage Option. Participants who elect to use the ~~self directed brokerage option~~Self-Directed Brokerage Option are allocated all costs associated ~~with this option~~.

Review Procedures

The Investment Committee evaluates investment fees at the time of manager selection, and periodically, both as to the Fund's absolute fees as well as compared to other managers in the appropriate universe, and in relation to the investment services provided.

Performance will be reviewed at least annually based on the Standards of Measurement defined below.

Standards of Measurement

To serve as the basis for evaluation, each Fund's performance, investment management fees and transaction costs, will be evaluated against the applicable Standards of Measurement set out in the Appendix, as amended from time-to-time. From time-to-time, the Fund may not achieve one or more of these Standards of Measurement but will be expected to achieve them over the long-term.

Additionally, the Investment Committee will consider the quality and consistency of each Fund's investment team and other appropriate qualitative characteristics, including, but not limited to, material changes to a Fund's investment process, material litigation or regulatory action that may impact future performance or the reputation or stability of the provider, application of generally accepted investment theories and prevailing practices, and utilization of the Fund by Participants.

~~V. — TARGET DATE TIER~~
V. GUIDELINES FOR ASSET CLASS EVALUATION

A. Lifecycle/Target-Date Funds

Purpose

~~This Tier is e~~Comprised of Target Date Funds which are primarily offered for Participants who wish to have their asset allocation decisions set by a Fund that uses ~~passive “through retirement”~~ glide paths for varying retirement dates. Multiple Target Date Funds from one family of such Funds are offered, each with a different target maturity date to accommodate Participants of varying ages and anticipated retirement dates. Participants typically choose the Target Date Fund that is closest to their target retirement date. Each Fund’s asset allocation is determined by the Fund Manager’s proprietary model. The mixes of the Funds are dynamic and change over time. The risk level for each Fund will vary from ~~moderate to~~ very high ~~to moderate~~ and is a function of the number of years ~~remaining~~ until ~~the Fund’s~~ expected ~~retirement maturity date~~. ~~Later dated maturity Funds have the goal of capital appreciation, progressively shifting its investment focus to capital preservation as the Fund nears maturity date.~~

Objective

~~The objective of the Target Date Tier is to provide a professionally managed, diversified series of options, or a series made up of passively managed funds, to help Participants achieve capital appreciation while the time horizon of the investment is relatively long, and gradually shift to an objective of income and capital preservation as Participants near their target retirement dates.~~

~~The Lifecycle Funds will attempt to meet the following Participant expectations:~~

- ~~• Growth in principal value with returns comparable to those achieved by a portfolio similarly weighted to an appropriate composite benchmark;~~
- ~~• Risk levels appropriate to the investment class and style of investment; and~~
- ~~• Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

These general operating guidelines have been adopted for the Target Date Funds:

- Investment in a diversified portfolio of securities including, but not limited to, domestic and international equities and fixed income securities and/or funds.
- Target Date Funds may contain a combination of equity or equity alternative securities (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), fixed income securities and cash equivalents.

- No specific constraints as to market capitalization, earnings cash flow record or credit quality is expected, but the overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective.

A Target Date Fund may be made up of underlying funds of appropriate investment or asset categories.

~~VI. INDEX TIER~~

~~A. CORE FIXED INCOME INDEX FUND~~

Purpose

~~The primary purpose of the Core Fixed Income Index Fund is to afford Participants the opportunity to accumulate capital over the long term in a Fund whose investment strategy is expected to provide current income and capital preservation. This Fund, over the long term, is expected to offer Participants positive inflation-adjusted returns in most economic environments.~~

Objective

~~The objective is expected to be accomplished by investing in the fixed income securities contained in an appropriate, widely recognized and reported index of fixed income aggregate domestically traded securities.~~

~~The Core Fixed Income Index Fund will attempt to meet the following Participant expectations:~~

- ~~A level of current income with returns comparable to those achieved by an appropriate aggregate bond benchmark;~~
- ~~Risk levels appropriate to the investment class and style of investment; and~~
- ~~Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

~~These general operating guidelines have been adopted for the Core Fixed Income Index Fund~~

- ~~Investment in a diversified portfolio comprised primarily of securities contained within the designated fixed income aggregate index.~~

B. — LARGE-CAP EQUITY INDEX FUND

Purpose

~~The primary purpose of the Large Cap Equity Index Fund is to afford Participants the opportunity to accumulate capital over the long term in a Fund whose investment strategy is expected to provide capital appreciation. — This Fund, over the long term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short term.~~

Objective

~~The objective is expected to be accomplished by investing in the large capitalization stocks contained in an appropriate, widely recognized and reported index of large capitalization equity domestically traded securities. — Some other securities may be utilized in small amounts, for example to facilitate cash flow management within the Fund.~~

~~The Large Cap Equity Index Fund will attempt to meet the following Participant expectations:~~

- ~~• Growth in principal value with returns comparable to those achieved by the designated large cap equity index;~~
- ~~• Risk levels appropriate to the investment class; and~~
- ~~• Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

~~These general operating guidelines have been adopted for the Large Cap Equity Index Fund~~

- ~~• Investment in a diversified equity portfolio comprised primarily of stocks contained within the designated large cap equity index.~~

C. — SMALL & MID-CAP EQUITY INDEX FUND

Purpose

~~The primary purpose of the Small & Mid Cap Equity Index Fund is to afford Participants the opportunity to accumulate capital over the long term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short-term.~~

Objective

~~The objective is expected to be accomplished by investing in the small and mid-capitalization securities contained in an appropriate, widely recognized and reported index of small and mid-capitalization equity domestically traded securities. Some other securities may be utilized in small amounts, for example to facilitate cash flow management within the Fund.~~

~~The Small & Mid Cap Equity Index Fund will attempt to meet the following Participant expectations:~~

- ~~• Growth in principal value with returns comparable to those achieved by the designated small and mid-cap equity index;~~
- ~~• Risk levels appropriate to the investment class; and~~
- ~~• Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

~~These general operating guidelines have been adopted for the Small & Mid Cap Equity Index Fund:~~

- ~~• Investment in a diversified equity portfolio comprised primarily of stocks contained within the designated small and mid-cap equity index.~~

~~D. INTERNATIONAL EQUITY INDEX FUND~~

Purpose

~~The primary purpose of the International Equity Index Fund is to afford Participants the opportunity to accumulate capital over the long term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short-term.~~

Objective

~~The objective is expected to be accomplished by investing in the stocks contained in the appropriate, widely recognized and reported index of international equity securities. Some other securities may be utilized in small amounts, for example to facilitate cash flow management within the Fund.~~

~~The International Equity Index Fund will attempt to meet the following Participant expectations:~~

- ~~• Growth in principal value with returns comparable to those achieved by the designated international equity index;~~
- ~~• Risk levels appropriate to the investment class; and~~
- ~~• Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

~~These general operating guidelines have been adopted for the International Equity Index Fund:~~

- ~~• Investment in a diversified equity portfolio comprised primarily of stocks contained within the designated international equity index.~~

VII. ~~ACTIVE MANAGEMENT TIER~~

~~A. STABLE VALUE FUND~~

Purpose

~~The primary purpose of the Stable Value Fund is to afford Participants the opportunity to preserve capital in the short and long term while maintaining consistency of returns. This Fund, over the long term, is expected to meet or exceed inflation in most economic environments.~~

Objectives

~~The objective of the Stable Value Fund is to achieve a maximum yield with limited or no volatility in the value of the underlying assets, as well as to provide maximum flexibility given the contractual nature of certain fixed-income investments held in the Fund.~~

~~The Stable Value Fund will attempt to meet the following Participant expectations:~~

- ~~• Safety of principal;~~
- ~~• A rate of return providing a premium above short term interest rates; and~~

~~Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

~~These general operating guidelines have been adopted for the Stable Value Fund~~

~~*Appropriate Investments within the Fund:*~~

- ~~• Investment contracts (guaranteed investment contracts (“GICs”) and bank investment contracts (“BICs”)) issued by insurance companies and banks as unsecured general obligations.~~
- ~~• GIC separate account and synthetic GIC contracts issued by banks, insurance companies, and other financial institutions that provide for direct ownership of, or an enhanced claim on, the underlying securities supporting the contracts’ liabilities.~~
- ~~• Money market/short term instruments.~~

B. CORE FIXED INCOME FUND

Purpose

~~The primary purpose of the Core Fixed Income Fund is to afford Participants the opportunity to accumulate capital over the long term in a Fund whose investment strategy is expected to provide current income and capital preservation. This Fund, over the long term, is expected to offer Participants positive inflation-adjusted returns in most economic environments~~

Objective

~~The objective is expected to be accomplished by investing in fixed income securities similar to those contained in an appropriate, widely recognized and reported index of fixed income aggregate domestically traded securities.~~

~~The Core Fixed Income Fund will attempt to meet the following Participant expectations:~~

- ~~• A level of current income with returns comparable to those achieved by an appropriate aggregate bond benchmark;~~
- ~~• Risk levels appropriate to the investment class and style of investment; and~~
- ~~• Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

~~These general operating guidelines have been adopted for the Core Fixed Income Fund~~

- ~~• Investment in a diversified, high-quality fixed income portfolio.~~
- ~~• High-quality fixed income shall mean U.S. Government and agency securities as well as corporate bonds, mortgage-backed securities, asset-backed securities and collateralized mortgage obligations (“CMOs”). The fund manager may make use of other sectors including High Yield and Emerging Market debt to increase diversification and enhance returns opportunistically.~~
- ~~• The overall Fund structure should be consistent with the return and risk parameters as outlined in the Fund objective.~~

~~C. BALANCED FUND~~

Purpose

~~The primary purpose of the Balanced Fund is to afford Participants the opportunity to accumulate capital over the long term in a Fund whose investment strategy is expected to provide a balance between capital appreciation and current income. This alternative is expected to provide Participants with a professionally managed blend of equity and fixed income securities.~~

Objective

~~The objective of the Balanced Fund is to achieve capital appreciation over the long term while maintaining a level of income that will limit volatility in the short term.~~

~~The Balanced Fund will attempt to meet the following Participant expectations:~~

- ~~• Growth in principal value with returns comparable to those achieved by a portfolio weighted 60% to an appropriate large cap equity benchmark and 40% to an appropriate aggregate bond benchmark;~~
- ~~• Risk levels appropriate to the investment class and style of investment; and~~
- ~~• Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

~~These general operating guidelines have been adopted for the Balanced Fund~~

- ~~• Investment in a high quality, diversified portfolio of securities appropriately balanced as to equities and fixed income securities.~~
- ~~• Balanced portfolios shall mean portfolios containing a combination of equity (domestic and international) or equity alternative securities (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), fixed income securities and cash equivalents.~~
- ~~• The overall portfolio structure is expected to be consistent with the return and risk parameters as outlined in the Fund objective.~~

~~D. — LARGE CAP VALUE EQUITY FUND~~

Purpose

~~The primary purpose of the Large Cap Value Equity Fund is to afford Participants the opportunity to accumulate capital over the long term in an actively managed Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short term.~~

Objective

~~The objective is expected to be accomplished by investing in stocks of domestically traded companies with relatively high market capitalizations that are expected to experience price appreciation through improving valuations.~~

~~The Large Cap Value Equity Fund will attempt to meet the following Participant expectations:~~

- ~~• Growth in principal value with returns comparable to those achieved by an appropriate large cap value benchmark;~~
- ~~• Risk levels appropriate to the investment class and style of investment; and~~
- ~~• Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

~~These general operating guidelines have been adopted for the Large Cap Value Equity Fund~~

- ~~• Investment in a diversified equity-oriented portfolio.~~
- ~~• Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.~~
- ~~• The overall Fund structure should be consistent with the return and risk parameters as outlined in the Fund objective. The average market capitalization should be within the range of the largest 1,000 stocks in the U.S. Markets.~~

E. — LARGE-CAP GROWTH EQUITY FUND

Purpose

The primary purpose of the Large Cap Growth Equity Fund is to afford Participants the opportunity to accumulate capital over the long term in an actively managed Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short-term.

Objective

The objective is expected to be accomplished by investing in domestically traded companies with relatively high market capitalizations that are expected to experience price appreciation through earnings growth.

The Large Cap Growth Equity Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by an appropriate large cap growth benchmark;
- Risk levels appropriate to the investment class and style of investment; and
- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Large Cap Growth Equity Fund:

- Investment in a diversified equity-oriented portfolio.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall Fund structure should be consistent with the return and risk parameters as outlined in the Fund objective. The average market capitalization should be within the range of the largest 1,000 stocks in the U.S. markets.

F. SMALL & MID-CAP EQUITY FUND

Purpose

The primary purpose of the Small & Mid-Cap Equity Fund is to afford Participants the opportunity to accumulate capital over the long term in an actively managed Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for high levels of volatility in the short term.

Objective

The objective is expected to be accomplished by investing primarily in domestically traded stocks comparable to those contained in the appropriate, widely recognized and reported index.

The Small & Mid-Cap Equity Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by an appropriate small and mid-cap equity benchmark;
- Risk levels appropriate to the investment class and style of investment; and
- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Small & Mid-Cap Equity Fund:

- Investment in a diversified equity-oriented portfolio.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective. The average market capitalization should be within the range of the lower 2,500 of the 3,000 largest capitalization stocks in the U.S. markets.

G. — SMALL-CAP VALUE EQUITY FUND

Purpose

The primary purpose of the Small Cap Value Equity Fund is to afford Participants the opportunity to accumulate capital over the long term in an actively managed Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for high levels of volatility in the short term.

Objective

The objective is expected to be accomplished by investing in domestically traded companies with small to mid-sized market capitalization that are expected to experience price appreciation through improving valuations.

The Small Cap Value Equity Fund will attempt to meet the following Participant expectations:

- Growth in principal value with returns comparable to those achieved by an appropriate mid- and small-cap value benchmark;
- Risk levels appropriate to the investment class and style of investment; and
- Liquidity in accordance with 401(k) Plan provisions.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Small Cap Value Equity Fund:

- Investment in a diversified equity-oriented portfolio.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective. The average market capitalization should be within the range of the lower 2,000 of the 3,000 largest capitalization stocks in the U.S. markets.

H. — SMALL-CAP GROWTH EQUITY FUND

Purpose

~~The primary purpose of the Small Cap Growth Equity Fund is to afford Participants the opportunity to accumulate capital over the long term in an actively managed Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for high levels of volatility in the short term.~~

Objective for Evaluation

~~The objective is expected to be accomplished by investing in domestically traded companies with small to mid-sized market capitalizations that are expected to experience price appreciation through improving earnings.~~

~~The Small Cap Growth Equity Fund will attempt to meet the following Participant expectations:~~

- ~~• Growth in principal value with returns comparable to those achieved by an appropriate mid- and small-cap growth benchmark;~~
- ~~• Risk levels appropriate to the investment class and style of investment; and~~
- ~~• Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines

~~These general operating guidelines have been adopted for the Small Cap Growth Equity Fund:~~

- ~~• Investment in a diversified equity-oriented portfolio.~~
- ~~• Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.~~
- ~~• The overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective. The average market capitalization should be within the range of the lower 2,000 of the 3,000 largest capitalization stocks in the U.S. markets.~~

I. ~~INTERNATIONAL EQUITY FUND~~

Purpose

~~The primary purpose of the International Equity Fund is to afford Participants the opportunity to accumulate capital over the long term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund, over the long term, is expected to offer Participants higher inflation-adjusted returns, with increased potential for volatility in the short term.~~

Objective

~~The objective is expected to be accomplished by investing in stocks comparable to those contained in the appropriate, widely recognized and reported index of international equity securities. Some other securities may be utilized in small amounts, for example, to facilitate cash flow management within the Fund.~~

~~The International Equity Fund will attempt to meet the following Participant expectations:~~

- ~~• Growth in principal value with returns comparable to those achieved by an appropriate international equity benchmark;~~
- ~~• Risk levels appropriate to the investment class and style of investment; and~~
- ~~• Liquidity in accordance with 401(k) Plan provisions.~~

Guidelines for Evaluation

~~These general operating guidelines have been adopted for the International Equity Fund:~~

- ~~• Investment in a diversified equity-oriented portfolio of stocks domiciled outside of the United States.~~
- ~~• Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.~~
- ~~• The overall portfolio structure should be consistent with the return and risk parameters as outlined in the Fund objective.~~

B. ~~Balanced Funds~~

Purpose

~~The primary purpose of the Balanced Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide~~

a balance between capital appreciation and current income. This alternative is expected to provide Participants with a professionally managed blend of equity and fixed income securities.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Balanced Fund(s):

- Investment in a high-quality, diversified portfolio of securities appropriately balanced as to equities and fixed income securities.
- Balanced portfolios shall mean portfolios containing a combination of equity (domestic and international) or equity alternative securities (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), fixed income securities and cash equivalents.
- The overall portfolio structure is expected to be consistent with the expectation of returns comparable to those achieved by a portfolio weighted 60% to an appropriate large cap equity benchmark and 40% to an appropriate aggregate bond benchmark and risk levels appropriate to the investment class and style of investment.

C. Cash or Equivalents

Purpose

The primary purpose of the Cash or Cash Equivalent Fund(s) is to afford Participants the opportunity to preserve capital in the short- and long-term while maintaining consistency of returns. This Fund(s), over the long-term, is expected to meet or exceed short-term interest rates in most economic environments.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Cash or Cash Equivalent Fund(s):

Appropriate Investments within the Fund:

- Money market/short-term fixed income instruments.

D. Stable Value

Purpose

The primary purpose of the Stable Value Fund(s) is to afford Participants the opportunity to preserve capital in the short- and long-term while maintaining consistency of returns and maximum

flexibility. This Fund(s), over the long-term, is expected to meet or exceed short-term interest rates in most economic environments.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Stable Value Fund(s):

Appropriate Investments within the Fund:

- Investment contracts (guaranteed investment contracts (“GICs”) and bank investment contracts (“BICs”)) issued by insurance companies and banks as unsecured general obligations.
- GIC separate account and synthetic GIC contracts issued by banks, insurance companies, and other financial institutions that provide for direct ownership of, or an enhanced claim on, the underlying securities supporting the contracts’ liabilities.
- Money market/short-term instruments.

E. U.S. Fixed Income

Purpose

The primary purpose of the U.S. Fixed Income Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in an option whose investment strategy is expected to provide current income and capital preservation.

Guidelines for Evaluation

These general operating guidelines have been adopted for the U.S. Fixed Income Fund(s):

- Investment in a diversified, high-quality, portfolio comprised primarily of securities contained within the designated fixed income aggregate index.
- High-quality fixed-income shall mean U.S. Government and agency securities as well as corporate bonds, mortgage-backed securities, asset-backed securities and collateralized mortgage obligations (“CMOs”). The fund manager may make use of other sectors including High Yield and Emerging Market debt to increase diversification and enhance returns opportunistically.
- The overall Fund structure should be consistent with the expectation of returns comparable to those achieved by an appropriate aggregate bond benchmark and risk levels appropriate to the investment class and style of investment.

F. U.S./Global Inflation Protection

Purpose

The primary purpose of the U.S./Global Inflation Protection Fund(s) is to afford Participants the opportunity to seek inflation protection through inflation sensitive investments.

Guidelines for Evaluation

These general operating guidelines have been adopted for the U.S./Global Inflation Protection Fund(s):

- Investment in a diversified portfolio comprised primarily of inflation sensitive securities contained within the designated index. Investments can include, but are not limited to inflation sensitive equities, U.S. Treasury Inflation-Protected Securities (TIPS), Commodities, Precious Metals, and US Real Estate (REIT). Asset allocation to underlying asset class may vary due to market environment.
- The overall Fund structure should be consistent with the expectation of returns comparable to those achieved by an appropriate benchmark and risk levels appropriate to the investment class and style of investment.

G. U.S. Equities

Purpose

The primary purpose of the U.S. Equity Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. These Fund(s), over the long-term, are expected to offer Participants higher returns, with increased potential for volatility in the short-term.

Guidelines for Evaluation

These general operating guidelines have been adopted for the U.S. Equity Fund(s):

- Investment in a diversified equity portfolio comprised primarily of stocks contained within its respective widely recognized and reported index.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.

- The overall Fund structure should be consistent with the expectation of returns comparable to those achieved by the designated index and risk levels appropriate to the investment class.

H. Global/International Equities

Purpose

The primary purpose of the Global/International Equity Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation. This Fund(s), over the long-term, is expected to offer Participants higher returns, with increased potential for volatility in the short-term.

Guidelines for Evaluation

These general operating guidelines have been adopted for the Global/International Equity Fund(s):

- Investment in a diversified equity-oriented portfolio of stocks domiciled outside of the United States.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the expectation of returns comparable to those achieved by an appropriate global/international equity benchmark and risk levels appropriate to the investment class and style of investment.

I. U.S./Global Socially Responsible Equities

Purpose

The primary purpose of the U.S./Global Socially Responsible Equity Fund(s) is to afford Participants the opportunity to accumulate capital over the long-term in a Fund whose investment strategy is expected to provide capital appreciation while placing an increased focused on environment, social, or governance factors identified by the Fund. This Fund(s), over the long-term, is expected to offer Participants higher returns, with increased potential for volatility in the short-term.

Guidelines for Evaluation

These general operating guidelines have been adopted for the U.S./Global Socially Responsible Equity Fund(s):

- Investment in a diversified equity-oriented portfolio of stocks similar to its respective index.
- Equity-oriented portfolios shall mean portfolios containing primarily common stocks or stock equivalents (American Depositary Receipts (“ADRs”), issues convertible into common stock, etc.), but shall not exclude the use of fixed income securities and cash equivalents.
- The overall portfolio structure should be consistent with the expectation of returns comparable to those achieved by an appropriate U.S./global socially responsible equity benchmark and risk levels appropriate to the investment class and style of investment.

VI. APPENDIX OF INDICES FOR STANDARDS OF MEASUREMENT AND DESIGNATION OF DEFAULT INVESTMENT
KUB 401(k) PLAN – INVESTMENT POLICY – SUMMARY OF PERFORMANCE MEASURES – ~~OCTOBER~~JULY 1, ~~2020~~2023

TARGET DATE TIER

| Asset Class/Current Fund Name | Purpose | Investments | Measurement 1 – Fund’s Return on a Rolling 3 Year basis:¹ | Measurement 2 – Fund’s Return on a Rolling 5 Year basis:² | Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis:³ | |
|---|---------------------------------------|---|--|--|--|------|
| Target Date Funds /SSgA Target Retirement | Current Income & Capital Appreciation | Combined Equity, Fixed Income & Cash Equivalent | On quarterly and annual bases, Target Date Funds should equal or exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by Mercer <u>the Investment Consulting</u> Consultant | On quarterly and annual bases, Target Date Funds should equal or exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by Mercer <u>the Investment Consulting</u> Consultant | Should not exceed target-year appropriate customized extended asset class indices developed and maintained by SSgA and monitored by Mercer <u>the Investment Consulting</u> Consultant | 125% |

DESIGNATION OF DEFAULT INVESTMENT

The Target Date Funds are hereby designated as the default investment in those cases where a Participant does not otherwise effectively direct the investment of any 401(k) Plan Account balance. The particular Target Date Fund, from among those offered under the 401(k) Plan, that has a target date closest to any individual Participant’s 65th birthday shall be treated as the default investment for that Participant.

¹ On rolling three-year periods, the performance of the Fund should exceed the performance of the stated index.

² On rolling five-year periods, the performance of the Fund should exceed the performance of the stated index.

³ On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.

INDEX FUND TIER

| Asset Class/Current Fund Name | Purpose | Investments | Measurement |
|---|---------------------------------------|--|---|
| Core Fixed Income Index Fund/Fidelity U.S. Bond Index Fund | Current Income & Capital Preservation | U.S. Govt. & Corp. Bonds Average A Grade | On quarterly and annual bases, Fund should closely track performance and volatility of Bloomberg Barclays U.S. Aggregate Bond Index |
| Large Cap Equity Index Fund/Fidelity 500 Index Fund | Capital Appreciation | S&P 500 Stocks | On quarterly and annual bases, Fund should closely track performance and volatility of S&P 500 Index |
| Small & Mid Cap Equity Index Fund/Fidelity Extended Market Index Fund | Capital Appreciation | Small to Mid Cap Equity | On quarterly and annual bases, Fund should closely track performance and volatility of Dow Jones US Completion TSM Index |
| International Equity Index Fund/Fidelity Total International Index Fund | Capital Appreciation | Non US Equity | On quarterly and annual bases, Fund should closely track performance and volatility of MSCI ACWI Ex US IMI Index |

ACTIVE MANAGEMENT TIER

| Asset Class/Current Fund Name | Purpose | Investments | Measurement 1 – Fund’s Return on a Rolling 3 Year basis: ⁴ | | Measurement 2 – Fund’s Return on a Rolling 5 Year basis: ⁵ | Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: ⁶ | |
|--|--|---|--|----------------|---|---|-------------|
| <u>Balanced Fund /Dodge & Cox Balanced</u> | <u>Balance Current Income & Capital Appreciation</u> | <u>Blend of Equity, Fixed Income & Cash Equivalents</u> | <u>Mercer MF U.S. Balanced</u> | <u>+Median</u> | <u>60% S&P 500 & 40% Bloomberg U.S. Aggregate Index</u> | <u>60% S&P 500 & 40% Bloomberg U.S. Aggregate Index</u> | <u>120%</u> |
| Stable Value Fund /Fidelity Managed Income Portfolio | Stable Investment | GICs & BICs | <u>CitigroupFTSE 3 Month T-Bill+100-bps</u> | | <u>CitigroupFTSE 3 Month T-Bill+100-bps</u> | None | |
| <u>U.S. Fixed Income /Fidelity U.S. Bond Index Fund</u> | <u>Current Income & Capital Preservation</u> | <u>U.S. Govt. & Corp. Bonds Average A Grade</u> | <u>On quarterly and annual bases, Fund should closely track performance and volatility of Bloomberg U.S. Aggregate Bond Index</u> | | | | |
| <u>CoreU.S. Fixed Income Fund/ Prudential Core Plus Bond CIT</u> | Current Income & Capital Preservation | U.S. Govt. & Corp. Bonds Average A Grade | <u>Mercer MF USU.S. Fixed Combined</u> | <u>+Median</u> | <u>Barelays CapitalBloomberg U.S. Aggregate Bond Index</u> | <u>Barelays CapitalBloomberg U.S. Aggregate Bond Index</u> | 110% |
| <u>BalancedU.S. Equities/Fidelity 500 Index Fund</u> | <u>Balance Current Income & Capital Appreciation</u> | <u>60% S&P 500 & 40% Barelays CapitalStocks Aggregate Index</u> | <u>60% S&P 500 & 40% Barelays Capital Aggregate Index On quarterly and annual bases, Fund should closely track performance and volatility of S&P 500 Index</u> | | | | |

⁴ On rolling three-year periods, the performance of the Fund should exceed the median of the stated universe (and in the case of the Stable Value Fund, by at least the amount stated).

⁵ On rolling five-year periods, the performance of the Fund should exceed the return of the stated index (and in the case of the Stable Value Fund, by at least the amount stated).

⁶ On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.

| Asset Class/Current Fund Name | Purpose | Investments | Measurement 1 – Fund’s Return on a Rolling 3 Year basis: ⁴ | | Measurement 2 – Fund’s Return on a Rolling 5 Year basis: ⁵ | Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: ⁶ | |
|--|----------------------|--|---|----------|---|---|------|
| Dodge & Cox Balanced | | | | | | | |
| Large Cap Value Equity Fund/U.S. Equities / T.Rowe Price Institutional Large Cap Value | Capital Appreciation | Large Cap – Appreciation by Improving Valuations | Mercer MF USU.S. Large Cap Value | + Median | Russell 1000 Value Index | Russell 1000 Value Index | 125% |

| Asset Class/Current Fund Name | Purpose | Investments | Measurement 1 – Fund’s Return on a Rolling 3 Year basis: ⁷ | | Measurement 2 – Fund’s Return on a Rolling 5 Year basis: ⁸ | Measurement 3 – Fund’s Volatility on a Rolling 5 Year basis: ⁹ | |
|--|---------------------------------|---|---|----------|---|---|------|
| Large Cap Growth Equity Fund/T.U.S. Equities /T. Rowe Price Institutional Large Cap Core Growth | Capital Appreciation | Large Cap – Appreciation by Earnings Growth | Mercer MF U.S. Large Cap Growth | + Median | Russell 1000 Growth Index | Russell 1000 Growth Index | 125% |
| U.S. Equities /Fidelity Extended Market Index Fund | Capital Appreciation | Small to Mid Cap Equity | On quarterly and annual bases, Fund should closely track performance and volatility of Dow Jones U.S. Completion TSM Index | | | | |
| Small and Mid-Cap Core Equity FundU.S. Equities /GW&K Small/Mid Cap | Capital Appreciation | Small to Mid Cap Equity – Improved Valuations | Mercer MF U.S. Small + Mid Cap Core | + Median | Russell 2500 Index | Russell 2500 Index | 150% |
| Global/International Equity /Fidelity Total International Index Fund | Capital Appreciation | Non-U.S. Equity | On quarterly and annual bases, Fund should closely track performance and volatility of MSCI ACWI Ex-US IMI (net)Index | | | | |
| International Equity Fund/Fidelity International Discovery | Capital Appreciation | Non- U.S. Equity | Mercer MF International Equity | + Median | MSCI EAFE (net) Index | MSCI EAFE (net) Index | 125% |

MF = Mutual Fund

New asset classes, new standards of measurement, changes in benchmarks, and other similar substantive changes to this Appendix shall be reported to the Board’s Audit and Finance Committee prior to adoption by the President and CEO.

All other changes, including a change in manager within an existing asset class with no change in standard of measurement and other similar changes, shall be updated in this Appendix by retirement system staff with notice to the Investment Committee upon adoption by the President and CEO.

⁷ On rolling three-year periods, the performance of the Fund should exceed the median of the stated universe (and in the case of the Stable Value Fund, by at least the amount stated).

⁸ On rolling five-year periods, the performance of the Fund should exceed the return of the stated index (and in the case of the Stable Value Fund, by at least the amount stated).

⁹ On rolling five-year periods, the annualized standard deviation of the Fund’s quarterly rate of return should not exceed that of the stated index times the stated percentage.

**Knoxville Utilities Board
Board Meeting Minutes
Thursday, May 18, 2023 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, May 18, 2023, pursuant to the public notice published in the January 7, 2023, edition of the *News Sentinel*. Chair Simpson-Brown called the meeting to order at 12:00 p.m.

Roll Call

Commissioners Present: Claudia Caballero, Ron Feinbaum, Cynthia Gibson, Kathy Hamilton, Celeste Herbert, Adrienne Simpson-Brown, and Tyvi Small.

Commissioners Absent: None

Approval of Minutes

Upon a motion by Commissioner Herbert and a second by Commissioner Small, the April 20, 2023 Board Meeting minutes were approved by a roll call vote. The following Commissioners voted "aye": Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted "nay".

Old Business

None

New Business

Resolution 1476 – A Resolution to Amend Resolution No. 1457, the Caption of Which is as Follows: “A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board from the Funds of the Electric Division, the Gas Division, the Water Division, the Wastewater Division, and the Fiber Division for the Fiscal Year Beginning July 1, 2022, Providing for Expenditures Paid for the Period Beginning July 1, 2022, and Ending June 30, 2023”

May 18, 2023

Resolution 1477 – A Resolution Requesting the Council of the City of Knoxville, Tennessee to Provide for the Issuance of Not to Exceed Fifty-Five Million and No/100 Dollars (\$55,000,000) In Aggregate Principal Amount of Electric System Revenue Bonds, Series PP-2023; Issuance of Not to Exceed Twenty Million and No/100 Dollars (\$20,000,000) In Aggregate Principal Amount of Water System Revenue Bonds, Series NN-2023; and Issuance of Not to Exceed Ten Million and No/100 Dollars (\$10,000,000) In Aggregate Principal Amount of Wastewater System Revenue Bonds, Series 2023

Resolution 1478 – A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board from the Funds of the Electric Division, the Gas Division, the Water Division, the Wastewater Division, and the Fiber Division for the Fiscal Year Beginning July 1, 2023, Providing for Expenditures Paid for the Period Beginning July 1, 2023, and Ending June 30, 2024

Resolution 1479 – A Resolution Approving Commitment Appropriations for the Fiscal Year Beginning July 1, 2023, Thereby Authorizing the Commitment of Expenditures to be Paid Subsequent to June 30, 2024, for Contractual Commitments Executed and Other Obligations Incurred on or Before June 30, 2024

Chair Simpson-Brown stated that Resolutions 1476, 1477, 1478, and 1479 are related to the current fiscal year budget and the proposed fiscal year 2024 budget and therefore would be discussed in a single presentation before being considered individually.

President Gabriel Bolas recognized Mark Walker, Senior Vice President and Chief Financial Officer, who reviewed the current year budget appropriations and advised the Board that the Electric and Gas Divisions would need additional budget appropriations to fully fund their projected cash expenditures for fiscal year 2023.

Mr. Walker then provided a presentation of the proposed budget for fiscal year 2024 and funding of the proposed budget. The proposed total budget for fiscal year 2024 is \$1.2 billion, including \$772.5 million for the Electric Division, \$152.7 million for the Gas Division, \$111.2 million for the Water Division, \$132.4 million for the Wastewater Division, and \$30 million for the Fiber Division. He also reviewed the major cost components of the proposed \$1.2 billion budget and advised the Board the proposed budget will be funded by \$1,035 billion in system revenues, \$85 million in bond proceeds, \$55 million in general fund cash, \$15 million in grants, and a \$9 million interdivisional loan from the Electric Division to the Fiber Division.

May 18, 2023

Mr. Walker next reviewed the request for the issuance of up to \$55 million in new electric bonds, up to \$20 million in new water bonds, and up to \$10 million in new wastewater bonds.

Lastly, Mr. Walker reviewed the request for commitment appropriations for fiscal year 2024, authorizing the commitment of expenditures for each division subsequent to June 30, 2024.

President Bolas recommended adoption of Resolutions 1476, 1477, 1478, and 1479 on first and final reading. His written recommendation is included in Attachment 1.

Upon a motion by Commissioner Herbert and a second by Commissioner Hamilton, Resolution 1476 (*Attachment 1*) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted “nay”.

Upon a motion by Commissioner Small and a second by Commissioner Herbert, Resolution 1477 (*Attachment 2*) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted “nay”.

Upon a motion by Commissioner Hamilton and a second by Commissioner Feinbaum, Resolution 1478 (*Attachment 3*) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted “nay”.

Upon a motion by Commissioner Feinbaum and a second by Commissioner Caballero, Resolution 1479 (*Attachment 4*) was adopted by a roll call vote on first and final reading. The following Commissioners voted “aye”: Caballero, Feinbaum, Gibson, Hamilton, Herbert, Simpson-Brown, and Small. No Commissioner voted “nay”.

President’s Report

Fiscal Year 2024 Financial and Organizational Metrics

President Bolas recognized Commissioner Hamilton who advised the Board that the Audit and Finance Committee met on May 3, 2023 and adopted fiscal year 2024 financial and organizational metrics. She introduced Chris Hood, Director of Finance, to share an overview of those metrics with the full board.

May 18, 2023

TVA EnergyRight Awards

President Bolas welcomed the TVA representatives attending the Board meeting. He recognized Amy Edge, TVA East Regional Customer Relations Director. Ms. Edge presented the Top Performer 2022 Award to Chair Simpson-Brown on behalf of KUB. Mr. Bolas also recognized Adam Borden, TVA Energy Services Consultant.

Other Business

None

Public Comment

- 1 – Kent Minault
- 2 – John Nolt
- 3 – Deb O'Dell
- 4 – Chet Hunt
- 5 – York Haverkamp

Adjournment

There being nothing further to come before the Board, Chair Simpson-Brown declared the Board meeting adjourned at 1:20 p.m.

Adrienne Simpson-Brown, Chair

Mark Walker, Board Secretary

Attachments

| | | <u>Page(s)</u> |
|--------------|---|-----------------------|
| Attachment 1 | Recommendation Letter and Resolution 1476 – A Resolution to Amend Resolution No. 1457, the Caption of Which is as Follows: “A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board from the Funds of the Electric Division, the Gas Division, the Water Division, the Wastewater Division, and the Fiber Division for the Fiscal Year Beginning July 1, 2022, Providing for Expenditures Paid for the Period Beginning July 1, 2022, and Ending June 30, 2023” | 11903 – 11908 |
| Attachment 2 | Resolution 1477 – A Resolution Requesting the Council of the City of Knoxville, Tennessee to Provide for the Issuance of Not to Exceed Fifty-Five Million and No/100 Dollars (\$55,000,000) In Aggregate Principal Amount of Electric System Revenue Bonds, Series PP-2023; Issuance of Not to Exceed Twenty Million and No/100 Dollars (\$20,000,000) In Aggregate Principal Amount of Water System Revenue Bonds, Series NN-2023; and Issuance of Not to Exceed Ten Million and No/100 Dollars (\$10,000,000) In Aggregate Principal Amount of Wastewater System Revenue Bonds, Series 2023 | 11909 – 12019 |
| Attachment 3 | Resolution 1478 – A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board from the Funds of the Electric Division, the Gas Division, the Water Division, the Wastewater Division, and the Fiber Division for the Fiscal Year Beginning July 1, 2023, Providing for Expenditures Paid for the Period Beginning July 1, 2023, and Ending June 30, 2024 | 12020 – 12025 |
| Attachment 4 | Resolution 1479 – A Resolution Approving Commitment Appropriations for the Fiscal Year Beginning July 1, 2023, Thereby Authorizing the Commitment of Expenditures to be Paid Subsequent to June 30, 2024, for Contractual Commitments Executed and Other Obligations Incurred on or Before June 30, 2024 | 12026 – 12031 |



May 12, 2023

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

Commissioners:

As discussed at the financial workshop in April, the May 18 Board meeting agenda includes official action items for additional budget appropriations for the current fiscal year, proposed budget and commitment appropriations for fiscal year 2024, and authorization to issue new long-term revenue bonds for the electric, water, and wastewater systems to help fund the FY24 capital budget.

An overview of each official action item is provided below:

Resolution 1476

Resolution 1476 provides for additional budget appropriations for the Electric and Gas Divisions for fiscal year 2023. At the March Board meeting, staff discussed the need for additional budget appropriations in these divisions to cover higher than expected wholesale electric and natural gas commodity prices. The Electric Division is currently forecast to be ~\$30 million over budget for the fiscal year, and the Gas Division is forecast to be ~\$12 million over budget.

Resolution 1476 provides for an additional \$35 million in budget appropriations for the Electric Division and an additional \$15 million for the Gas Division. A letter from Mr. Walker, KUB's Chief Financial Officer, has been prepared certifying the availability of these funds.

Resolution 1477

Resolution 1477 authorizes and requests City Council approval for the issuance of up to \$85 million in revenue bonds, including \$55 million in electric system bonds, \$20 million for the water system, and \$10 million for the wastewater system.

The proceeds of the bonds will be used to help fund the electric, water, and wastewater system capital budgets for fiscal year 2024, including the on-going build-out of the electric fiber network system and Century II infrastructure programs, while also covering issuance costs and underwriters' fees. A summary of the major provisions of the proposed City Council bond resolutions is enclosed for your information.

Resolution 1478

Resolution 1478 adopts budget appropriations for fiscal year 2024 totaling \$1.2 billion, including \$772.5 million for the Electric Division, \$152.7 million for the Gas Division, \$111.2 million for the Water Division, \$132.4 million for the Wastewater Division, and \$30 million for the Fiber Division.

The proposed budget request provides \$554.4 million for wholesale energy purchases, \$213.4 million for operating and maintenance expenditures, \$283.5 million for system capital investments, \$94.7 million for debt service payments, \$43.8 million for taxes and tax equivalent payments, and \$9 million for an inter-divisional loan from the Electric Division to the Fiber Division. Mr. Walker has prepared a letter certifying the availability of funds for the proposed budget.

A summary of the proposed budget for fiscal year 2024 is enclosed for your review.

Resolution 1479

Resolution 1479 adopts commitment appropriations for fiscal year 2024. The resolution authorizes KUB to execute contracts and incur obligations on or before June 30, 2024, that commit KUB to expenditures after June 30, 2024. The commitments total \$123.5 million, including \$45.9 million for the Electric Division, \$8.6 million for the Gas Division, \$37.8 million for the Water Division, \$27.6 million for the Wastewater Division, and \$3.6 million for the Fiber Division. Mr. Walker has also prepared a letter certifying the availability of funds for the commitment appropriations.

A draft of each resolution is enclosed for your information. I recommend the adoption of Resolutions 1476, 1477, 1478, and 1479 on first and final readings.

Respectfully submitted,



Gabriel J. Bolas, II
President and CEO

Enclosures

RESOLUTION NO. 1476

A Resolution to Amend Resolution No. 1457, the Caption of Which is as Follows: “A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board from the Funds of the Electric Division, the Gas Division, the Water Division, the Wastewater Division, and the Fiber Division for the Fiscal Year Beginning July 1, 2022, Providing for Expenditures Paid for the Period Beginning July 1, 2022, and Ending June 30, 2023”

Whereas, Section 1109 of the Charter of the City of Knoxville provides that “No money shall be drawn from the treasury of the system nor shall any obligation for the expenditure of money be incurred except in pursuance of appropriations made by the board”; and

Whereas, the Knoxville Utilities Board of Commissioners (hereinafter referred to as the “Board”) adopted Resolution No. 1457, making and fixing the annual budget appropriations for the Knoxville Utilities Board (hereinafter referred to as “KUB”) for the fiscal year beginning July 1, 2022 and ending June 30, 2023; and

Whereas, KUB staff met with the Board’s Audit and Finance Committee on February 21, 2023, and reviewed the need for additional budget appropriations for the fiscal year ending June 30, 2023; and,

Whereas, the Board has determined it is appropriate to amend the budget appropriations for the Electric and Gas Divisions for the current fiscal year, by increasing the amount of expenditures authorized to be paid on or before June 30, 2023; and,

Whereas, the Chief Financial Officer has certified to the Board the availability of funds to fund the proposed increase in budget appropriations.

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

Section 1. That Section 1 of Resolution No. 1457 previously approved by this Board, be amended by adding **\$35,000,000** to the budget appropriations of the Electric Division for expenditures to be paid on or before June 30, 2023, thereby increasing the existing budget appropriations of the Electric Division from **\$724,807,000** to **\$759,807,000**.

Section 2. That Section 2 of Resolution No. 1457 previously approved by this Board, be amended by adding **\$15,000,000** to the budget appropriations of the Gas Division for expenditures to be paid on or before June 30, 2023, thereby increasing the existing budget appropriations of the Gas Division from **\$140,414,000** to **\$155,414,000**.

Section 3. That funds will be available for the Electric and Gas Divisions to fund the expenditures to be paid for the fiscal year beginning July 1, 2022, as noted in Section 1 and Section 2 of this resolution. The availability of funds has been certified by letter from the Senior Vice President and Chief Financial Officer, whereby said letter is attached to and incorporated by reference as part of this Resolution.

Section 4. That this Resolution shall take effect from and after its passage.

Adrienne Simpson-Brown/s
Adrienne Simpson-Brown, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 5-18-23
EFFECTIVE DATE: 5-18-23
MINUTE BOOK 46 PAGE 11905-11908



May 12, 2023

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

Commissioners,

I hereby certify that within the meaning of Section 1109 of the City of Knoxville Charter and Article IX.B.2.e. of the Board's By-Laws there are sufficient funds adequate to fund the proposed additional budget appropriations.

\$35,000,000 for the Electric Division, thereby increasing the existing budget appropriations from \$724,807,000 to \$759,807,000 for the fiscal year beginning July 1, 2022.

\$15,000,000 for the Gas Division, thereby increasing the existing budget appropriations from \$140,414,000 to \$155,414,000 for the fiscal year beginning July 1, 2022.

The availability of funds for budget appropriations is based on general fund cash and all available cash reserves of the Electric and Gas Divisions and all monies anticipated to come into the general funds of the Electric and Gas Divisions on or before June 30, 2023 from utility sales at rates approved by the KUB Board; from other fees, charges, sales proceeds, accounts and notes receivable, or other credits in the process of collection; and from proceeds of authorized debt issues.

Please see the enclosed worksheet which demonstrates the availability of funds to support the proposed additional budget appropriations.

Respectfully submitted,

A handwritten signature in blue ink that reads "Mark A. Walker". The signature is written in a cursive, flowing style.

Mark A. Walker
Senior Vice President and CFO

Enclosure

May 2023: Certification of Available Funds - FY 2023 Budget Appropriations

Electric Division: Certification of Available Funds

| | <u>FY 2023</u> |
|---|----------------------|
| Beginning General Fund Cash | \$73,462,000 |
| Sales Revenues | \$656,178,000 |
| Other Revenues/Receipts | \$27,255,000 |
| Cash Reserves | \$31,708,000 |
| Bond Proceeds | \$83,111,000 |
| Total | <u>\$871,714,000</u> |
| FY 2023 Budget Appropriations (Res. 1457) | \$724,807,000 |
| FY 2023 Budget Appropriations (Res. 1476) | \$35,000,000 |
| Available Funds | <u>\$111,907,000</u> |

If positive, there are available funds to fund appropriations.

Gas Division: Certification of Available Funds

| | <u>FY 2023</u> |
|---|----------------------|
| Beginning General Fund Cash | \$23,086,000 |
| Sales Revenues | \$142,505,000 |
| Other Revenues/Receipts | \$4,526,000 |
| Cash Reserves | \$20,164,000 |
| Bond Proceeds | \$0 |
| Total | <u>\$190,281,000</u> |
| FY 2023 Budget Appropriations (Res. 1457) | \$140,414,000 |
| FY 2023 Budget Appropriations (Res. 1476) | \$15,000,000 |
| Available Funds | <u>\$34,867,000</u> |

If positive, there are available funds to fund appropriations.

RESOLUTION NO. 1477

A Resolution Requesting the Council of the City of Knoxville, Tennessee to Provide for the Issuance of Not to Exceed Fifty-Five Million and No/100 Dollars (\$55,000,000) In Aggregate Principal Amount of Electric System Revenue Bonds, Series PP-2023; Issuance of Not to Exceed Twenty Million and No/100 Dollars (\$20,000,000) In Aggregate Principal Amount of Water System Revenue Bonds, Series NN-2023; and Issuance of Not to Exceed Ten Million and No/100 Dollars (\$10,000,000) In Aggregate Principal Amount of Wastewater System Revenue Bonds, Series 2023

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 system (the "Electric 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 \$55,000,000 in aggregate principal amount of Electric System Revenue Bonds, Series PP-2023 (the "Electric Bonds") for the purpose of providing funds to finance the cost of improvements and extensions to the electrical system of the City, including the payment of legal, fiscal and administrative costs incident thereto and 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 \$20,000,000 in aggregate principal amount of Water System Revenue Bonds, Series NN-2023 (the "Water Bonds") for the purpose of providing funds to finance the cost of improvements and extensions to the water distribution and treatment system of the City, including the payment of legal, fiscal and administrative costs incident thereto and 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 \$10,000,000 in aggregate principal amount of Wastewater System Revenue Bonds, Series 2023 (the "Wastewater Bonds") for the purpose of providing funds to finance the cost of improvements and extensions to the wastewater collection and treatment system of the City, including the payment of legal, fiscal and administrative costs incident thereto and 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 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:

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 Electric 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 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 Water Bonds are to be issued, being more fully stated in the Water 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 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 Wastewater Bonds are to be issued, being more fully stated in the Wastewater Resolution.

Section 4. As required by the State Funding Board of the State of Tennessee, KUB has heretofore adopted its Debt Management Policy. The Board hereby finds that the issuance of the Electric Bonds, Water Bonds, and Wastewater Bonds, as proposed herein, is consistent with the Debt Management Policy.

Section 5. The Board hereby formally requests the Council of the City to pass the Electric 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 Water Resolution, and the Wastewater Resolution upon adoption.

Section 6. The Board has elected and does hereby elect that the Electric Bonds be issued under the Electric Resolution, the Water Bonds be issued under the Water Resolution, and the Wastewater Bonds be issued under the Wastewater Resolution.

Section 7. 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 8. The Board hereby states its intent to reimburse itself from the proceeds of the Electric Bonds, the Water Bonds, and the Wastewater Bonds, respectively, for expenditures made on or after the date that is sixty (60) days prior to the date of this resolution to make improvements to the Electric System, the Water System and the Wastewater System, respectively.

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

Adrienne Simpson-Brown/s
Adrienne Simpson-Brown, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 5-18-23
EFFECTIVE DATE: 5-18-23
MINUTE BOOK 46 PAGE 11909-12019

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 FIFTY-FIVE MILLION AND NO/100 DOLLARS (\$55,000,000) OF ELECTRIC SYSTEM REVENUE BONDS, SERIES PP-2023.

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 (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 the "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 extensions and improvements to the City's electrical power distribution system (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 June 30, 2023, are as follows:

| <u>Series</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|---------------|----------------------|---------------------------|
| EE-2015 | \$28,550,000 | \$19,230,000 |
| FF-2015 | \$35,000,000 | \$ 850,000 |
| GG-2016 | \$40,000,000 | \$34,700,000 |
| HH-2017 | \$23,445,000 | \$12,920,000 |
| II-2017 | \$40,000,000 | \$35,995,000 |
| JJ-2018 | \$39,995,000 | \$36,655,000 |
| KK-2020 | \$14,380,000 | \$12,010,000 |
| LL-2021 | \$70,180,000 | \$65,570,000 |
| MM-2022 | \$45,650,000 | \$45,650,000 |
| NN-2022 | \$27,215,000 | \$27,215,000 |
| OO-2022 | \$79,000,000 | \$79,000,000 |

WHEREAS, it is desirable that an additional series of bonds be issued to finance the costs of the extensions and improvements to the System, including the payment of legal, fiscal and administrative costs incident thereto and incident to the issuance and sale of the bonds, pursuant to the authority of the 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, it is the intention of the City Council of the City to adopt this resolution for the purpose of authorizing not to exceed \$55,000,000 in aggregate principal amount of electric system revenue 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 PP-2023 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 9 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) "Direct Payment Credit" means any refundable direct payment credit received by the City or KUB from the United States Treasury or other agency or instrumentality of the United States pursuant to the American Infrastructure Bonds Act of 2021 (if enacted) or other similar federal law with respect to any emission of Bonds qualifying as Federally Taxable Bonds for which the City or KUB makes an irrevocable election as set forth herein;
- (h) "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;
- (i) "DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system;
- (j) "Federally Taxable Bonds" means for purposes of this resolution, any emission of Bonds, the interest on which is includable in gross income of the holders thereof for federal income tax purposes and that, when issued, qualify to receive Direct Payment Credits;
- (k) "Federally Tax-Exempt Bonds" means any emission of Bonds, the interest on which is intended to be excludable from gross income of the holders thereof for federal income tax purposes;
- (l) "Financial Adviser" means Cumberland Securities Company, Inc.;
- (m) "Governing Body" shall mean the City Council of the City;
- (n) "KUB shall mean the Knoxville Utilities Board;
- (o) "1949 Resolution" shall mean Resolution No. 1644 of the Governing Body, adopted January 4, 1949, as amended and supplemented by Resolution No. 2171, Resolution No. 3491, Resolution

No. R-317-90, Resolution No. R-422-98, Resolution No. R-149-01, Resolution No. R-332-2010, and Resolution No. R-230-2018 and as otherwise supplemented prior to the date hereof;

(p) "Outstanding Bonds" shall mean the City's outstanding Electric System Revenue Refunding Bonds, Series EE-2015, dated May 1, 2015, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Bonds, Series GG-2016, dated August 5, 2016, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series HH-2017, dated April 7, 2017, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Bonds, Series II-2017, dated September 15, 2017, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Bonds, Series JJ-2018, dated September 14, 2018, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series KK-2020, dated May 22, 2020, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series LL-2021, dated April 19, 2021, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Bonds, Series MM-2022, dated April 29, 2022, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series NN-2022, dated May 13, 2022, maturing July 1, 2024 and the City's outstanding Electric System Revenue Bonds, Series OO-2022, dated December 16, 2022, maturing July 1, 2024 and thereafter;

(q) "Parity Bonds" shall mean any bonds issued on a parity with the Series PP-2023 Bonds and the Outstanding Bonds pursuant to the 1949 Resolution;

(r) "Project" shall mean extensions and improvements to the System;

(s) "Registration Agent" shall mean the registration and paying agent for the Series PP-2023 Bonds designated by the President and Chief Executive Officer of KUB, or any successor as designated by the Board;

(t) "Series PP-2023 Bonds" shall mean the City's Electric System Revenue Bonds, Series PP-2023, 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 1949 Resolution and this resolution in an aggregate principal amount not to exceed \$55,000,000;

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

(v) "Underwriter" shall mean an investment banking firm qualified to underwrite bonds such as the Series PP-2023 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 PP-2023 Bonds so that the Series PP-2023 Bonds will be issued as Parity Bonds.

Section 4. Authorization and Terms of the Series PP-2023 Bonds. (a) For the purpose of providing funds to finance the costs of construction of the Project, including the payment of legal, fiscal and administrative costs incident thereto and incident to the issuance and sale of the Series PP-2023 Bonds as more fully set out in Section 9 hereof, there are hereby authorized to be issued revenue bonds of the City in the aggregate principal amount of not to exceed \$55,000,000. The Series PP-2023 Bonds shall be issued in fully registered form, without coupons, shall be known as "Electric System Revenue Bonds, Series PP-2023" 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 9 hereof. The Series PP-2023 Bonds shall bear interest at a rate or rates not to exceed the maximum rate permitted by

law, payable semi-annually on January 1 and July 1 in each year, commencing January 1, 2024 or such later date as is permitted pursuant to Section 9 hereof. The Series PP-2023 Bonds shall be initially issued in \$5,000 denominations or integral multiples thereof as shall be requested by the purchaser thereof. The Series PP-2023 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 9, provided that the final maturity date shall not be later than July 1, 2053. The final maturity schedule shall be established by the award resolution or certificate awarding the Series PP-2023 Bonds to the successful purchaser thereof or in the Bond Purchase Agreement provided for in Section 9 if the Series PP-2023 Bonds are sold by negotiated sale.

(b) Subject to adjustment pursuant to Section 9 hereof, the Series PP-2023 Bonds maturing on or before July 1, 2032 shall mature without option of prior redemption, and Series PP-2023 Bonds maturing on July 1, 2033 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, 2032, 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 PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series PP-2023 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 9 hereof, KUB is authorized to sell the Series PP-2023 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 PP-2023 Bonds are sold as term bonds, KUB shall redeem such term bonds on redemption dates corresponding to the maturity dates set forth in the award resolution or certificate awarding the Series PP-2023 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 PP-2023 Bonds, or any successor Depository for the Series PP-2023 Bonds, shall determine the interest of each Participant in the Series PP-2023 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 PP-2023 Bonds, the Series PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 Bonds, and the Registration Agent so appointed is authorized and directed to maintain Bond registration records with respect to the Series PP-2023 Bonds, to authenticate and deliver the Series PP-2023 Bonds as provided herein, either at original issuance, upon transfer, or as otherwise directed by the Board, to effect transfers of the Series PP-2023 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series PP-2023 Bonds as provided herein, to cancel and destroy Series PP-2023 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 PP-2023 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 PP-2023 Bonds. 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. 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 PP-2023 Bonds.

(g) The Series PP-2023 Bonds shall be payable, principal and interest, in lawful money of the United States of America at the designated 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 PP-2023 Bonds, and all such payments shall discharge the obligations of KUB in respect of such Series PP-2023 Bonds to the extent of the payments so made. Payment of principal of the Series PP-2023 Bonds shall be made upon presentation and surrender of such Series PP-2023 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 PP-2023 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 PP-2023 Bonds, payment of interest on such Series PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 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 4 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 4 or in the Series PP-2023 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 PP-2023 Bonds when due.

(i) The Series PP-2023 Bonds are transferable only by presentation to the Registration Agent by the registered owner, or such owner's legal representative duly authorized in writing, of the registered Series PP-2023 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 PP-2023 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 PP-2023 Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Series PP-2023 Bond or Series PP-2023 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 PP-2023 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series PP-2023 Bond, nor to transfer or exchange any Series PP-2023 Bond after notice calling such Series PP-2023 Bond for redemption has been made, nor to transfer or exchange any Series PP-2023 Bond during the period following the receipt of instructions from KUB to call such Series PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 Bonds shall be overdue. Series PP-2023 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 PP-2023 Bonds of the same maturity in any authorized denomination or denominations. This subsection shall be applicable only if the Series PP-2023 Bonds are no longer held by a Depository, and as long as the Series PP-2023 Bonds are held by a Depository, transfers of ownership interests in the Series PP-2023 Bonds shall be governed by the rules of the Depository.

(j) Except as otherwise authorized herein, the Series PP-2023 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as the Depository for the Series PP-2023 Bonds except as otherwise provided herein. References in this Section 4 to a Series PP-2023 Bond or the Series PP-2023 Bonds shall be construed to mean the Series PP-2023 Bond or the Series PP-2023 Bonds that are held under the Book-Entry System. One Series PP-2023 Bond for each maturity of the Series PP-2023 Bonds shall be issued to DTC and immobilized in its custody or a custodian of DTC. The Registration Agent is a custodian and agent for DTC, and the Series PP-2023 Bond will be immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series PP-2023 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 PP-2023 Bonds. Beneficial ownership interests in the Series PP-2023 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 PP-2023 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 PP-2023 Bonds. Transfers of ownership interests in the Series PP-2023 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 PP-2023 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE SERIES PP-2023 BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES PP-2023 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 PP-2023 Bonds, so long as DTC is the only owner of the Series PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 Bonds in the form of fully registered Series PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 Bonds for its own account, then the City may issue, acting by and through KUB, certificated Bonds without the utilization of DTC and the Book-Entry System.

(k) In case any Series PP-2023 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 PP-2023 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series PP-2023 Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series PP-2023 Bond, or if any such Series PP-2023 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series PP-2023 Bond KUB may pay or authorize payment of such Series PP-2023 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 PP-2023 Bond, and indemnity satisfactory to KUB and the Registration Agent; and KUB may charge the applicant for the issue of such new Series PP-2023 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 PP-2023 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 PP-2023 Bonds in exchange for Series PP-2023 Bonds of the same principal amount delivered for transfer upon receipt of the Series PP-2023 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series PP-2023 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 PP-2023 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 PP-2023 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series PP-2023 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series PP-2023 Bonds and provision of notices with respect to Series PP-2023 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 PP-2023 Bonds, provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this Section 4.

Section 5. Source of Payment. The Series PP-2023 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 PP-2023 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 PP-2023 Bonds shall have no recourse to the power of taxation of the City.

Section 6. Form of Series PP-2023 Bonds. The Series PP-2023 Bonds shall be in substantially the following form, the omissions to be appropriately completed when the Series PP-2023 Bonds are prepared and delivered:

(Form of Series PP-2023 Bond)

REGISTERED
Number _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TENNESSEE
COUNTY OF KNOX
CITY OF KNOXVILLE
ELECTRIC SYSTEM REVENUE BOND, SERIES PP-2023

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 January 1, 2024, 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 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 Registration Agent 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 of Commissioners of KUB (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, 2032 shall mature without option of prior redemption. The Bonds maturing on July 1, 2033 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, 2032, 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> |
|-----------------|----------------------------|---|
|-----------------|----------------------------|---|

*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 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 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 \$55,000,000 and issued by the City, acting by and through KUB, for the purpose of providing funds to finance the construction of extensions and improvements to the City's electrical power distribution system (the "System"), including the payment of legal, fiscal and administrative 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, Resolution No. 3491, Resolution No. R-317-90, Resolution No. R-422-98, Resolution No. R-149-01, Resolution No. R-332-2010, and Resolution No. R-230-2018, and as supplemented by Resolution No. R-____-2023 and as otherwise supplemented prior to the date hereof (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 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 EE-2015, dated May 1, 2015, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Bonds, Series GG-2016, dated August 5, 2016, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series HH-2017, dated April 7, 2017, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Bonds, Series II-2017, dated September 15, 2017, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Bonds, Series JJ-2018, dated September 14, 2018, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series KK-2020, dated May 22, 2020, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series LL-2021, dated April 19, 2021, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Bonds, Series MM-2022, dated April 29, 2022, maturing July 1, 2024 and thereafter, the City's outstanding Electric System Revenue Refunding Bonds, Series NN-2022, dated May 13, 2022, maturing July 1, 2024 and thereafter, and the City's outstanding Electric System Revenue Bonds, Series OO-2022, dated December 16, 2022, maturing July 1, 2024 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) 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 (b) 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 his 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
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: _____

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:

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

Section 7. Equality of Lien; Pledge of Net Revenues. The punctual payment of principal of, premium, if any, and interest on the Series PP-2023 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 8. Applicability of the 1949 Resolution. The Series PP-2023 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 PP-2023 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 PP-2023 Bonds shall be outstanding and unpaid either as to principal or interest, or until discharge and satisfaction of the Series PP-2023 Bonds as provided in Section 12 hereof, shall be applicable to the Series PP-2023 Bonds, shall inure to the benefit of owners of the Series PP-2023 Bonds as if set out in full herein, and shall be fully enforceable by the owner of any Series PP-2023 Bond.

All references to "holder" or "holders" in the 1949 Resolution shall be deemed to include owners of the Series PP-2023 Bonds, and all references to "Bonds" in the 1949 Resolution shall be deemed to include the Series PP-2023 Bonds.

Section 9. Sale of Series PP-2023 Bonds.

(a) The Series PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 Bonds to:

- (1) change the dated date to a date other than the date of issuance;
- (2) specify or change the series designation of the Series PP-2023 Bonds to a designation other than "Electric System Revenue Bonds, Series PP-2023";
- (3) change the first interest payment date to a date other than January 1, 2024, provided that such date is not later than twelve months from the dated date of such emission of Series PP-2023 Bonds;
- (4) establish and adjust the principal and interest payment dates and determine maturity or mandatory redemption amounts of the Series PP-2023 Bonds or any emission thereof, provided that (A) the total principal amount of all emissions of the Series PP-2023 Bonds does not exceed the total amount of Series PP-2023 Bonds authorized herein, (B) the final maturity date of each emission shall be not later than July 1, 2053 and (C) the debt service payable in each fiscal year after the completion of the Project shall be approximately level;
- (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 PP-2023 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 PP-2023 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 PP-2023 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 PP-2023 Bonds, providing for the purchase and sale of the Series PP-2023 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 PP-2023 Bonds, provided any such changes are not inconsistent with the terms of this Section 9. If the Underwriter does not intend to reoffer the Series PP-2023 Bonds to the public, then the Bond Purchase Agreement shall be conformed to reflect such intention. The form of the Series PP-2023 Bond set forth in Section 6 hereof shall be conformed to reflect any changes made pursuant to this Section 9.

(d) The President and Chief Executive Officer and the Chief Financial Officer of KUB, or either of them, are authorized to cause the Series PP-2023 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 PP-2023 Bonds are sold at public sale, the Series PP-2023 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.

(f) Each emission of Series PP-2023 Bonds shall be offered for sale as either Federally Tax-Exempt Bonds or as Federally Taxable Bonds as determined by KUB, in consultation with the Financial Advisor, by taking into account which type of Series PP-2023 Bond will result in the lowest cost to KUB with respect to such emission of Series PP-2023 Bonds taking into consideration the Direct Payment Credit projected to be received if such emission of Series PP-2023 Bonds is issued as Federally Taxable Bonds and such other factors affecting the cost of KUB, including redemption provisions relating to each such emission. KUB will cause to be filed with the transcript of proceedings for any emission of Federally Taxable Bonds, a report of the Financial Advisor as to the factors taken into account by the Financial Advisor in recommending that any emission be issued as Federally Taxable Bonds. If issued as Federally Taxable Bonds, the President and Chief Executive Officer of KUB, on behalf of the City and KUB, is directed to make any election required under applicable law to qualify such emission of Bonds for Direct Payment Credits on each interest payment date. KUB is further authorized to submit any required forms to the Internal Revenue Service or other applicable governmental agency for the purpose of receiving the Direct Payment Credit with respect to each interest payment date, or take such other actions required for receipt of the Direct Payment Credit required by the Internal Revenue Service of the United States Treasury or other governmental agency. KUB is authorized to direct the deposit of the Direct Payment Credit as KUB deems appropriate, and such Direct Payment Credits shall be deemed funds of KUB when paid. All decisions by KUB made pursuant to this subsection shall be binding on the City, and no further action of the Governing Body with respect thereto shall be required. The President and Chief Executive Officer of KUB, as the designee of the Board, is authorized to take all actions required or authorized by this subsection.

Section 10. Disposition of Series PP-2023 Bond Proceeds. The proceeds of the sale of the Series PP-2023 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 PP-2023 Bonds on the first interest payment date following delivery of the Series PP-2023 Bonds; and

(b) The remainder of the proceeds of the sale of the Series PP-2023 Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency, in the "Electric System Expansion and Replacement Fund" (the "Construction Fund") to be kept separate and apart from all other funds of KUB. The funds in the Construction Fund shall be disbursed solely to pay the costs of constructing the Project and costs related to the issuance and sale of the Series PP-2023 Bonds, including necessary legal, accounting, and fiscal expenses, printing, engraving, advertising

and similar expenses, administrative and clerical costs, rating agency fees, Registration Agent fees, and other necessary miscellaneous expenses incurred in connection with the Project and the issuance and sale of the Series PP-2023 Bonds. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be deposited to the Bond Fund and used to retire Series PP-2023 Bonds on the earliest date possible. Moneys in the Construction Fund shall be invested as directed by the Chief Financial Officer of KUB in such investments as shall be permitted by applicable law. All income derived from such investments shall be deposited to the Construction Fund.

Section 11. Discharge and Satisfaction of Series PP-2023 Bonds. If KUB, on behalf of the City, shall pay and discharge the indebtedness evidenced by any of the Series PP-2023 Bonds or Parity Bonds (referred to hereinafter, collectively, in this Section 11 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, on behalf of 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 11, neither Defeasance Obligations nor moneys deposited with the Agent pursuant to this Section 11 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 11, 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 11, 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 PP-2023 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 12. Federal Tax Matters. The City and KUB recognize that the purchasers and owners of the Series PP-2023 Bonds that are intended to be Federally Tax-Exempt 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 PP-2023 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 PP-2023 Bonds that are intended to be Federally Tax-Exempt 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 PP-2023 Bonds that are intended to be Federally Tax-Exempt Bonds will not be used in a manner which will cause the Series PP-2023 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Series PP-2023 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 PP-2023 Bonds that are intended to be Federally Tax-Exempt 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 PP-2023 Bonds that are intended to be Federally Tax-Exempt 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 Series PP-2023 Bonds that are intended to be Federally Tax-Exempt Bonds as any or all shall deem appropriate, and such certifications shall constitute a representation and certification of the City and KUB.

Section 13. Official Statement. The President and Chief Executive Officer of KUB, or his designee, is hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement describing the Series PP-2023 Bonds. After the Series PP-2023 Bonds have been awarded, the President and Chief Executive Officer of KUB, or his 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 his designee, shall arrange for the delivery to the purchaser of the Series PP-2023 Bonds of a reasonable number

of copies of the Official Statement within seven business days after the Series PP-2023 Bonds have been awarded for subsequent delivery by the purchaser to each potential investor requesting a copy of the Official Statement and to each person to whom such purchaser and members of such purchaser's group initially sell the Series PP-2023 Bonds.

The President and Chief Executive Officer of KUB, or his 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 14. Continuing Disclosure. The City hereby covenants and agrees that KUB will provide annual financial information and material event notices for the Series PP-2023 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 PP-2023 Bonds, an agreement for the benefit of and enforceable by the owners of the Series PP-2023 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 15. 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 16. 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 _____, 2023

Mayor

ATTEST:

City Recorder

STATE OF TENNESSEE)
)
COUNTY OF KNOX)

I, Will Johnson, 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 _____, 2023; 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 \$55,000,000 Electric System Revenue Bonds, Series PP-2023.

WITNESS my official signature of the City of Knoxville, Tennessee, this ____ day of _____, 2023.

City Recorder

EXHIBIT A

**\$55,000,000
CITY OF KNOXVILLE, TENNESSEE
ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD
ELECTRIC SYSTEM REVENUE BONDS, SERIES PP-2023**

BOND PURCHASE AGREEMENT

_____, 2023

Knoxville Utilities Board
445 South Gay Street
Knoxville, Tennessee 37902

Ladies and 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 _____, 2023.

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 \$55,000,000 aggregate principal amount of KUB's Electric System Revenue Bonds, Series PP-2023 (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 (the "Bond Resolution") adopted on _____, 2023, 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 finance the cost of extensions and improvements to the electrical power distribution system operated by KUB on behalf of the City (the "System"), including the payment of legal, fiscal and administrative 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 a 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, (c) 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 (d) 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 _____, 2023, 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 6(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 is 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: _____
President and Chief Executive 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 _____, 2023 (the "Bond Purchase Agreement"), between _____ (the "Underwriter"), and Knoxville Utilities Board ("KUB"), relating to the sale by KUB of its Electric System Revenue Bonds, Series PP-2023, in the aggregate principal amount of \$55,000,000 (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 _____, 2023, 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

_____, 2023

Bass Berry & Sims PLC
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 \$55,000,000 Electric System Revenue Bonds, Series PP-2023

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 finance extensions and improvements to the electrical power distribution system described herein.

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, 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,

35406680.2

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 MILLION DOLLARS (\$20,000,000) OF WATER SYSTEM
REVENUE BONDS, SERIES NN-2023.

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 (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 extensions and improvements to the City's water distribution and treatment system (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 June 30, 2023 are as follows:

| <u>Series</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|---------------|--------------------------|-------------------------------|
| BB-2015 | \$23,005,000 | \$17,025,000 |
| CC-2015 | \$20,000,000 | \$ 1,575,000 |
| DD-2016 | \$25,000,000 | \$21,475,000 |
| EE-2016 | \$20,875,000 | \$15,870,000 |
| FF-2017 | \$ 5,310,000 | \$ 2,365,000 |
| GG-2017 | \$20,000,000 | \$17,710,000 |
| HH-2018 | \$19,995,000 | \$17,855,000 |
| II-2019 | \$19,995,000 | \$18,450,000 |
| JJ-2020 | \$19,520,000 | \$17,950,000 |
| KK-2020 | \$ 9,045,000 | \$ 8,485,000 |
| LL-2021 | \$33,180,000 | \$30,690,000 |
| MM-2022 | \$14,915,000 | \$14,815,000 |

WHEREAS, it is desirable that an additional series of bonds be issued to finance the costs of the extensions and improvements to the System, including the payment of legal, fiscal and administrative 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 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, it is the intention of the City Council of the City to adopt this resolution for the purpose of authorizing not to exceed \$20,000,000 in aggregate principal amount of water revenue 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 NN-2023 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 9 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) "Direct Payment Credit" means any refundable direct payment credit received by the City or KUB from the United States Treasury or other agency or instrumentality of the United States pursuant to the American Infrastructure Bonds Act of 2021 (if enacted) or other similar federal law with respect to any emission of Bonds qualifying as Federally Taxable Bonds for which the City or KUB makes an irrevocable election as set forth herein;
- (h) "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;
- (i) "DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system;
- (j) "Federally Taxable Bonds" means for purposes of this resolution, any emission of Bonds, the interest on which is includable in gross income of the holders thereof for federal income tax purposes and that, when issued, qualify to receive Direct Payment Credits;
- (k) "Federally Tax-Exempt Bonds" means any emission of Bonds, the interest on which is intended to be excludable from gross income of the holders thereof for federal income tax purposes;
- (l) "Financial Adviser" means Cumberland Securities Company, Inc.;
- (m) "Governing Body" shall mean the City Council of the City;
- (n) "KUB" shall mean the Knoxville Utilities Board;

(o) "1954 Resolution" shall mean Resolution No. 2075 of the Governing Body, adopted April 20, 1954, as amended and supplemented by Resolution No. 3633, Resolution No. R-26-88, Resolution No. R-8-98, Resolution No. R-151-01 and Resolution No. R-228-2018 and as otherwise supplemented prior to the date hereof;

(p) "Outstanding Bonds" shall mean the City's outstanding Water System Revenue Refunding Bonds, Series BB-2015, dated May 1, 2015, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series CC-2015, dated May 20, 2015, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series DD-2016, dated August 5, 2016, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series EE-2016, dated August 5, 2016, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series FF-2017, dated April 7, 2017, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series GG-2017, dated September 15, 2017, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series HH-2018, dated September 14, 2018, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series II-2019, dated August 20, 2019, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series JJ-2020, dated May 22, 2020, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series KK-2020, dated October 30, 2020, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series LL-2021, dated April 19, 2021, maturing March 1, 2024 and thereafter, and the City's outstanding Water System Revenue Refunding Bonds, Series MM-2022, dated May 13, 2022, maturing March 1, 2024 and thereafter;

(q) "Parity Bonds" shall mean any bonds issued on a parity with the Series NN-2023 Bonds and the Outstanding Bonds pursuant to the 1954 Resolution;

(r) "Project" shall mean extensions and improvements to the System;

(s) "Registration Agent" shall mean the registration and paying agent for the Series NN-2023 Bonds designated by the President and Chief Executive Office of KUB, or any successor as designated by the Board;

(t) "Series NN-2023 Bonds" shall mean the City's Water System Revenue Bonds, Series NN-2023, 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 1954 Resolution and this resolution in an aggregate principal amount not to exceed \$20,000,000;

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

(v) "Underwriter" shall mean an investment banking firm qualified to underwrite bonds such as the Series NN-2023 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 NN-2023 Bonds so that the Series NN-2023 Bonds will be issued as Parity Bonds.

Section 4. Authorization and Terms of the Series NN-2023 Bonds. (a) For the purpose of providing funds to finance the costs of construction of the Project including the payment of legal, fiscal and administrative costs incident thereto and incident to the issuance and sale of the Series NN-2023 Bonds as more fully set out in Section 9 hereof, there are hereby authorized to be issued revenue bonds of the City

in the aggregate principal amount of not to exceed \$20,000,000. The Series NN-2023 Bonds shall be issued in fully registered form, without coupons, shall be known as "Water System Revenue Bonds, Series NN-2023," 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 9 hereof. The Series NN-2023 Bonds shall bear interest at a rate or rates not to exceed the maximum rate permitted by law, payable semi-annually on March 1 and September 1 in each year, commencing March 1, 2024 or such other date as is permitted pursuant to Section 9 hereof. The Series NN-2023 Bonds shall be initially issued in \$5,000 denominations or integral multiples thereof as shall be requested by the purchaser thereof. The Series NN-2023 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 9, provided that the final maturity date shall not be later than March 1, 2053. The final maturity schedule shall be established by the award resolution or certificate awarding the Series NN-2023 Bonds to the successful purchaser thereof or in the Bond Purchase Agreement provided for in Section 9 if the Series NN-2023 Bonds are sold by negotiated sale.

(b) Subject to adjustment pursuant to Section 9 hereof, the Series NN-2023 Bonds maturing on or before March 1, 2032 shall mature without option of prior redemption. Series NN-2023 Bonds maturing on March 1, 2033 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, 2032, 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 NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series NN-2023 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 9 hereof, KUB is authorized to sell the Series NN-2023 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 NN-2023 Bonds are sold as term bonds, KUB shall redeem such term bonds on redemption dates corresponding to the maturity dates set forth in the award resolution or certificate awarding the Series NN-2023 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 NN-2023 Bonds, or any successor Depository for the Series NN-2023 Bonds, shall determine the interest of each Participant in the Series NN-2023 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 NN-2023 Bonds, the Series NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 Bonds, and the Registration Agent so appointed is authorized and directed to maintain Bond registration records with respect to the Series NN-2023 Bonds, to authenticate and deliver the Series NN-2023 Bonds as provided herein, either at original issuance, upon transfer, or as otherwise directed by the Board, to effect transfers of the Series NN-2023 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series NN-

2023 Bonds as provided herein, to cancel and destroy the Series NN-2023 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 the Series NN-2023 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 NN-2023 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 NN-2023 Bonds (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 NN-2023 Bonds shall be payable, principal and interest, in lawful money of the United States of America at the designated trust office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Series NN-2023 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 NN-2023 Bonds, and all such payments shall discharge the obligations of KUB in respect of such Series NN-2023 Bonds to the extent of the payments so made. Payment of principal of the Series NN-2023 Bonds shall be made upon presentation and surrender of such Series NN-2023 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 NN-2023 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 NN-2023 Bonds, payment of interest on such Series NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 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 4 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 4 or in the Series NN-2023 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 NN-2023 Bonds when due.

(i) The Series NN-2023 Bonds are transferable only by presentation to the Registration Agent by the registered owner, or such owner's legal representative duly authorized in writing, of the registered Series NN-2023 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 NN-2023 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 NN-2023 Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Series NN-2023 Bond or Series NN-2023 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 NN-2023 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series NN-2023 Bond, nor to transfer or exchange any Series NN-2023 Bond after notice calling such Series NN-2023 Bond for redemption has been made, nor to transfer or exchange any Series NN-2023 Bond during the period following the receipt of instructions from KUB to call such Series NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 Bonds shall be overdue. Series NN-2023 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 NN-2023 Bonds of the same maturity in any authorized denomination or denominations. This subsection shall be applicable only if the Series NN-2023 Bonds are no longer held by a Depository, and as long as the Series NN-2023 Bonds are held by a Depository, transfers of ownership interests in the Bonds shall be governed by the rules of the Depository.

(j) Except as otherwise authorized herein, the Series NN-2023 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as the Depository for the Series NN-2023 Bonds except as otherwise provided herein. References in this Section 4 to a Series NN-2023 Bond or the Series NN-2023 Bonds shall be construed to mean the Series NN-2023 Bond or the Series NN-2023 Bonds that are held under the Book-Entry System. One Series NN-2023 Bond for each maturity of the Series NN-2023 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 Series NN-2023 Bond will be immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series NN-2023 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 NN-2023 Bonds. Beneficial ownership interests in the Series NN-2023 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 NN-2023 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 NN-2023 Bonds. Transfers of ownership interests in the Series NN-2023 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 NN-2023 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE SERIES NN-2023 BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES NN-2023 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 NN-2023 Bonds, so long as DTC is the only owner of the Series NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 Bonds in the form of fully registered Series NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 Bonds for its own account, then the City may issue, acting by and through KUB, certificated Bonds without the utilization of DTC and the Book-Entry System.

(k) In case any Series NN-2023 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 NN-2023 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series NN-2023 Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series NN-2023 Bond, or if any such Series NN-2023 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series NN-2023 Bond KUB may pay or authorize payment of such Series NN-2023 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 NN-2023 Bond, and indemnity satisfactory

to KUB and the Registration Agent; and KUB may charge the applicant for the issue of such new Series NN-2023 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 NN-2023 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 NN-2023 Bonds in exchange for Series NN-2023 Bonds of the same principal amount delivered for transfer upon receipt of the Series NN-2023 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series NN-2023 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 NN-2023 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 NN-2023 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series NN-2023 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series NN-2023 Bonds and provision of notices with respect to Series NN-2023 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 NN-2023 Bonds, provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this Section 4.

Section 5. Source of Payment. The Series NN-2023 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 NN-2023 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 NN-2023 Bonds shall have no recourse to the power of taxation of the City.

Section 6. Form of Series NN-2023 Bonds. The Series NN-2023 Bonds shall be in substantially the following form, the omissions to be appropriately completed when the Series NN-2023 Bonds are prepared and delivered:

(Form of Series NN-2023 Bond)

REGISTERED
Number _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
STATE OF TENNESSEE
COUNTY OF KNOX
CITY OF KNOXVILLE
WATER SYSTEM REVENUE BOND, SERIES NN-2023

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 March 1, 2024, and semi-annually thereafter on the first day of March and September 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 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 of Commissioners of KUB (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, 2032 shall mature without option of prior redemption. The Bonds maturing on March 1, 2033 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, 2032, 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> |
|-----------------|----------------------------|---|
|-----------------|----------------------------|---|

*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 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 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 \$20,000,000 and issued by the City for the purpose of providing funds to finance the construction of extensions and improvements to the City's water distribution and treatment system (the "System"), including the payment of legal, fiscal and administrative 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, Resolution No. R-26-88, Resolution No. R-8-98, Resolution No. R-151-01 and Resolution No. R-228-2018, and as supplemented by Resolution No. R-____-2023 and as otherwise supplemented prior to the date hereof (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 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 Refunding Bonds, Series BB-2015, dated May 1, 2015, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series CC-2015, dated May 20, 2015, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series DD-2016, dated August 5, 2016, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series EE-2016, dated August 5, 2016, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series FF-2017, dated April 7, 2017, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series GG-2017, dated September 15, 2017, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series HH-2018, dated September 14, 2018, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series II-2019, dated August 20, 2019, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Refunding Bonds, Series JJ-2020, dated May 22, 2020, maturing March 1, 2024 and thereafter, the City's outstanding Water System Revenue Bonds, Series KK-2020, dated October 30, 2020, maturing March 1, 2024 and thereafter,

the City's outstanding Water System Revenue Refunding Bonds, Series LL-2021, dated April 19, 2021, maturing March 1, 2024 and thereafter, and the City's outstanding Water System Revenue Refunding Bonds, Series MM-2022, dated May 13, 2022, maturing March 1, 2024 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) 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 (b) 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 his 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 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: _____

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:

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

Section 7. Equality of Lien; Pledge of Net Revenues. The punctual payment of principal of, premium, if any, and interest on the Series NN-2023 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 8. Applicability of the 1954 Resolution. The Series NN-2023 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 NN-2023 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 NN-2023 Bonds shall be outstanding and unpaid either as to principal or interest, or until discharge and satisfaction of the Series

NN-2023 Bonds as provided in Section 12 hereof, shall be applicable to the Series NN-2023 Bonds, shall inure to the benefit of owners of the Series NN-2023 Bonds as if set out in full herein, and shall be fully enforceable by the owner of any Series NN-2023 Bond.

All references to "holder" or "holders" in the 1954 Resolution shall be deemed to include owners of the Series NN-2023 Bonds, and all references to "Bonds" in the 1954 Resolution shall be deemed to include the Series NN-2023 Bonds.

Section 9. Sale of Series NN-2023 Bonds.

(a) The Series NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 Bonds to:

- (1) change the dated date to a date other than the date of issuance;
- (2) specify or change the series designation of the Series NN-2023 Bonds to a designation other than "Water System Revenue Bonds, Series NN-2023";
- (3) change the first interest payment date to a date other than March 1, 2024, provided that such date is not later than twelve months from the dated date of such emission of Series NN-2023 Bonds;
- (4) establish and adjust the principal and interest payment dates and determine maturity or mandatory redemption amounts of the Series NN-2023 Bonds or any emission thereof, provided that (A) the total principal amount of all emissions of the Series NN-2023 Bonds does not exceed the total amount of Series NN-2023 Bonds authorized herein, (B) the final maturity date of each emission shall be not later than March 1, 2053 and (C) the debt service payable in each fiscal year after the completion of the Project shall be approximately level;
- (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 NN-2023 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 NN-2023 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 NN-2023 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 NN-2023 Bonds, providing for the purchase and sale of the Series NN-2023 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 NN-2023 Bonds, provided any such changes are not inconsistent with the terms of this Section 9. If the Underwriter does not intend to reoffer the Series NN-2023 Bonds to the public, then the Bond Purchase Agreement shall be conformed to reflect such intention. The form of the Series NN-2023 Bond set forth in Section 6 hereof shall be conformed to reflect any changes made pursuant to this Section 9.

(d) The President and Chief Executive Officer and the Chief Financial Officer of KUB, or either of them, are authorized to cause the Series NN-2023 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 Series NN-2023 Bonds.

(e) If the Series NN-2023 Bonds are sold at public sale, the Series NN-2023 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.

(f) Each emission of Series NN-2023 Bonds shall be offered for sale as either Federally Tax-Exempt Bonds or as Federally Taxable Bonds as determined by KUB, in consultation with the Financial Advisor, by taking into account which type of Series NN-2023 Bond will result in the lowest cost to KUB with respect to such emission of Series NN-2023 Bonds taking into consideration the Direct Payment Credit projected to be received if such emission of Series NN-2023 Bonds is issued as Federally Taxable Bonds and such other factors affecting the cost of KUB, including redemption provisions relating to each such emission. KUB will cause to be filed with the transcript of proceedings for any emission of Federally Taxable Bonds, a report of the Financial Advisor as to the factors taken into account by the Financial Advisor in recommending that any emission be issued as Federally Taxable Bonds. If issued as Federally Taxable Bonds, the President and Chief Executive Officer of KUB, on behalf of the City and KUB, is directed to make any election required under applicable law to qualify such emission of Bonds for Direct Payment Credits on each interest payment date. KUB is further authorized to submit any required forms to the Internal Revenue Service or other applicable governmental agency for the purpose of receiving the Direct Payment Credit with respect to each interest payment date, or take such other actions required for receipt of the Direct Payment Credit required by the Internal Revenue Service of the United States Treasury or other governmental agency. KUB is authorized to direct the deposit of the Direct Payment Credit as KUB deems appropriate, and such Direct Payment Credits shall be deemed funds of KUB when paid. All decisions by KUB made pursuant to this subsection shall be binding on the City, and no further action of the Governing Body with respect thereto shall be required. The President and Chief Executive Officer of KUB, as the designee of the Board, is authorized to take all actions required or authorized by this subsection.

Section 10. Disposition of Series NN-2023 Bond Proceeds. The proceeds of the sale of the Series NN-2023 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 NN-2023 Bonds on the first interest payment date following delivery of the Series NN-2023 Bonds; and

(b) The remainder of the proceeds of the sale of the Series NN-2023 Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency, in the "Water System Construction Fund" (the "Construction Fund") to be kept separate and apart from all other funds of KUB. The funds in the Construction Fund shall be disbursed solely to pay the costs of constructing the Project and costs related to the issuance and sale of the Series NN-2023 Bonds, including necessary legal, accounting, and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, rating agency fees, Registration Agent fees and other necessary miscellaneous expenses incurred in connection with the Project and the issuance and sale of the Series NN-2023 Bonds. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be deposited to the Bond Fund and used to retire Series NN-2023 Bonds on the earliest date possible. Moneys in the Construction Fund shall be invested as directed by the Chief Financial Officer of KUB in such investments as shall be permitted by applicable law. All income derived from such investments shall be deposited to the Construction Fund.

Section 11. Discharge and Satisfaction of Series NN-2023 Bonds. If KUB, on behalf of the City, shall pay and discharge the indebtedness evidenced by any of the Series NN-2023 Bonds or Parity Bonds (referred to hereinafter, collectively, in this Section 11 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, on behalf of 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 11, neither Defeasance Obligations nor moneys deposited with the Agent pursuant to this Section 11 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 11, 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 11, 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 NN-2023 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 12. Federal Tax Matters. The City and KUB recognize that the purchasers and owners of the Series NN-2023 Bonds that are intended to be Federally Tax-Exempt 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 NN-2023 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 NN-2023 Bonds that are intended to be Federally Tax-Exempt 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 NN-2023 Bonds that are intended to be Federally Tax-Exempt Bonds will not be used in a manner which will cause the Series NN-2023 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Series NN-2023 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 NN-2023 Bonds that are intended to be Federally Tax-Exempt 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 NN-2023 Bonds that are intended to be Federally Tax-Exempt 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 Series NN-2023 Bonds that are intended to be Federally Tax-Exempt Bonds as any or all shall deem appropriate, and such certifications shall constitute a representation and certification of the City and KUB.

Section 13. Official Statement. The President and Chief Executive Officer of KUB, or his designee, is hereby authorized and directed to provide for the preparation and distribution of a Preliminary

Official Statement describing the Series NN-2023 Bonds. After the Series NN-2023 Bonds have been awarded, the President and Chief Executive Officer of KUB, or his 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 his designee, shall arrange for the delivery to the purchaser of the Series NN-2023 Bonds of a reasonable number of copies of the Official Statement within seven business days after the Series NN-2023 Bonds have been awarded for subsequent delivery by the purchaser, to each potential investor requesting a copy of the Official Statement and to each person to whom such purchaser and members of such purchaser's group initially sell the Series NN-2023 Bonds.

The President and Chief Executive Officer of KUB, or his 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 14. Continuing Disclosure. The City hereby covenants and agrees that KUB will provide annual financial information and material event notices for the Series NN-2023 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 NN-2023 Bonds, an agreement for the benefit of and enforceable by the owners of the Series NN-2023 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 15. 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 16. 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 _____, 2023.

Mayor

ATTEST:

City Recorder

STATE OF TENNESSEE)
)
COUNTY OF KNOX)

I, Will Johnson, 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, _____, 2023; 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 \$20,000,000 Water System Revenue Bonds, Series NN-2023.

WITNESS my official signature and seal of the City of Knoxville, Tennessee, this ____ day of _____, 2023.

(seal)

City Recorder

EXHIBIT A

**\$20,000,000
CITY OF KNOXVILLE, TENNESSEE
ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD
WATER SYSTEM REVENUE BONDS, SERIES NN-2023**

BOND PURCHASE AGREEMENT

_____, 2023

Knoxville Utilities Board
445 South Gay Street
Knoxville, Tennessee 37902

Ladies and 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 _____, 2023.

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 \$20,000,000 aggregate principal amount of KUB's Water System Revenue Bonds, Series NN-2023 (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 (the "Bond Resolution") adopted on _____, 2023, 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 finance the cost of extensions and improvements to the water distribution and treatment system operated by KUB on behalf of the City (the "System"), including the payment of legal, fiscal and administrative 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 a 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, (c) 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 (d) 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 _____, 2023, 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 6(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 is 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: _____
President and Chief Executive 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 _____, 2023 (the "Bond Purchase Agreement"), between _____ (the "Underwriter"), and Knoxville Utilities Board ("KUB"), relating to the sale by KUB of its Water System Revenue Bonds, Series NN-2023, in the aggregate principal amount of \$20,000,000 (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 _____, 2023, 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

_____, 2023

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

**Re: City of Knoxville, Tennessee acting on behalf of the Knoxville Utilities Board
\$20,000,000 Water System Revenue Bonds, Series NN-2023**

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 finance extensions and improvements to the water distribution and treatment system described herein.

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,

35411686.2

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 TEN MILLION AND NO/100 DOLLARS
(\$10,000,000) OF WASTEWATER SYSTEM REVENUE BONDS,
SERIES 2023.

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 (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 extensions and improvements to the City's wastewater collection and treatment system (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 June 30, 2023, are as follows:

| <u>Series</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|---------------|--------------------------|-------------------------------|
| 2010C | \$ 70,000,000 | \$ 20,250,000 |
| 2015A | \$129,825,000 | \$ 98,945,000 |
| 2015B | \$ 30,000,000 | \$ 1,225,000 |
| 2016 | \$ 20,000,000 | \$ 16,775,000 |
| 2017A | \$ 11,965,000 | \$ 2,510,000 |
| 2017B | \$ 25,000,000 | \$ 22,035,000 |
| 2018 | \$ 12,000,000 | \$ 10,715,000 |
| 2019 | \$ 16,000,000 | \$ 14,805,000 |
| 2020A | \$ 28,320,000 | \$ 26,050,000 |
| 2020B | \$ 27,460,000 | \$ 25,775,000 |
| 2021A | \$190,815,000 | \$184,265,000 |
| 2022A | \$ 11,125,000 | \$ 10,900,000 |
| 2022B | \$ 23,200,000 | \$ 23,100,000 |
| 2022C | \$ 9,995,000 | \$ 9,995,000 |

WHEREAS, it is desirable that an additional series of bonds be issued to finance the costs of the extensions and improvements to the System, including the payment of legal, fiscal and administrative 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, it is the intention of the City Council of the City to adopt this resolution for the purpose of authorizing not to exceed \$10,000,000 in aggregate principal amount of wastewater system revenue 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 2023 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 9 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) "Direct Payment Credit" means any refundable direct payment credit received by the City or KUB from the United States Treasury or other agency or instrumentality of the United States pursuant to the American Infrastructure Bonds Act of 2021 (if enacted) or other similar federal law with respect to any emission of Bonds qualifying as Federally Taxable Bonds for which the City or KUB makes an irrevocable election as set forth herein;
- (h) "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;
- (i) "DTC Participant(s)" means securities brokers and dealers, banks, trust companies and clearing corporations that have access to the DTC system;
- (j) "Federally Taxable Bonds" means for purposes of this resolution, any emission of Bonds, the interest on which is includable in gross income of the holders thereof for federal income tax purposes and that, when issued, qualify to receive Direct Payment Credits;
- (k) "Federally Tax-Exempt Bonds" means any emission of Bonds, the interest on which is intended to be excludable from gross income of the holders thereof for federal income tax purposes;
- (l) "Financial Adviser" means Cumberland Securities Company, Inc.;
- (m) "Governing Body" shall mean the City Council of the City;
- (n) "KUB" shall mean the Knoxville Utilities Board;

(o) "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-5-98, Resolution No. R-148-01 and Resolution No. 11-S and as otherwise supplemented prior to the date hereof;

(p) "Outstanding Bonds" shall mean the City's outstanding Wastewater System Revenue Bond, Series 2010C (Federally Taxable Build America Bonds), dated December 8, 2010, maturing April 1, 2040, its outstanding Wastewater System Revenue Refunding Bonds, Series 2015A, dated May 1, 2015, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Bonds, Series 2015B, dated May 20, 2015, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Bonds, Series 2016, dated August 5, 2016, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Refunding Bonds, Series 2017A, dated April 7, 2017, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Bonds, Series 2017B, dated September 15, 2017, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Bonds, Series 2018, dated September 14, 2018, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Bonds, Series 2019, dated August 20, 2019, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Refunding Bonds, Series 2020A, dated May 22, 2020, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Bonds, Series 2020B, dated October 30, 2020, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Refunding Bonds, Series 2021A, dated April 19, 2021, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Refunding Bonds, Series 2022A, dated April 29, 2022, maturing April 1, 2024 and thereafter, its outstanding Wastewater System Revenue Refunding Bonds, Series 2022B, dated May 13, 2022, maturing April 1, 2024 and thereafter, and its outstanding Wastewater System Revenue Bonds, Series 2022C, dated December 16, 2022, maturing April 1, 2024 and thereafter;

(q) "Parity Bonds" shall mean any bonds issued pursuant to the 1990 Resolution on a parity with the Series 2023 Bonds and the Outstanding Bonds;

(r) "Project" shall mean extensions and improvements to the System;

(s) "Registration Agent" shall mean the registration and paying agent for the Series 2023 Bonds designated by the President and Chief Executive Officer of KUB, or any successor as designated by the Board;

(t) "Series 2023 Bonds" shall mean the City's Wastewater System Revenue Bonds, Series 2023, 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 \$10,000,000;

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

(v) "Underwriter" shall mean an investment banking firm qualified to underwrite bonds such as the Series 2023 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 2023 Bonds so that the Series 2023 Bonds will be issued as Parity Bonds.

Section 4. Authorization and Terms of the Series 2023 Bonds. (a) For the purpose of providing funds to finance the costs of construction of the Project including the payment of legal, fiscal and administrative costs incident thereto and incident to the issuance and sale of the Series 2023 Bonds as more

fully set out in Section 9 hereof, there are hereby authorized to be issued revenue bonds of the City in the aggregate principal amount of not to exceed \$10,000,000. The Series 2023 Bonds shall be issued in fully registered form, without coupons, shall be known as "Wastewater System Revenue Bonds, Series 2023" 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 9 hereof. The Series 2023 Bonds shall bear interest at a rate or rates not to exceed the maximum rate permitted by law, payable semi-annually on April 1 and October 1 in each year, commencing April 1, 2024 or such other date as is permitted pursuant to Section 9 hereof. The Series 2023 Bonds shall be initially issued in \$5,000 denominations or integral multiples thereof as shall be requested by the purchaser thereof. The Series 2023 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 9, provided that the final maturity date shall not be later than April 1, 2053. The final maturity schedule shall be established by the award resolution or certificate awarding the Series 2023 Bonds to the successful purchaser thereof or in the Bond Purchase Agreement provided for in Section 9 if the Series 2023 Bonds are sold by negotiated sale.

(b) Subject to adjustment pursuant to Section 9 hereof, the Series 2023 Bonds maturing on or before April 1, 2032 shall mature without option of prior redemption, and Series 2023 Bonds maturing on April 1, 2033 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, 2032, 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 2023 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 2023 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 2023 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 2023 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 2023 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2023 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 9 hereof, KUB is authorized to sell each of the Series 2023 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 2023 Bonds are sold as term bonds, KUB shall redeem such term bonds on redemption dates corresponding to the maturity dates set forth in the award resolution or certificate awarding the Series 2023 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 2023 Bonds, or any successor Depository for the Series 2023 Bonds, shall determine the interest of each Participant in the Series 2023 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 2023 Bonds, the Series 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 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 2023 Bonds, and the Registration Agent so appointed is authorized and directed to maintain Bond registration records with respect to the Series 2023 Bonds, to authenticate and deliver the Series 2023 Bonds as provided herein, either at original issuance, upon transfer, or as otherwise directed by

the Board, to effect transfers of the Series 2023 Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Series 2023 Bonds as provided herein, to cancel and destroy Series 2023 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 2023 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 2023 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 2023 Bonds (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 2023 Bonds shall be payable, principal and interest, in lawful money of the United States of America at the designated trust office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Series 2023 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 2023 Bonds, and all such payments shall discharge the obligations of KUB in respect of such Series 2023 Bonds to the extent of the payments so made. Payment of principal of the Series 2023 Bonds shall be made upon presentation and surrender of such registered Series 2023 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 2023 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 2023 Bonds, payment of interest on such Series 2023 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 2023 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 2023 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 2023 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 4 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 4 or in any of the Series 2023 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 2023 Bonds when due.

(i) The Series 2023 Bonds are transferable only by presentation to the Registration Agent by the registered owner, or such owner's legal representative duly authorized in writing, of the registered Series 2023 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 2023 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 2023 Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Series 2023 Bond or Series 2023 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 2023 Bond during the period commencing on a Regular or Special Record Date and ending on the corresponding interest payment date of such Series 2023 Bond, nor to transfer or exchange any Series 2023 Bond after notice calling such Series 2023 Bond for redemption has been made, nor to transfer or exchange any Series 2023 Bond during the period following the receipt of instructions from KUB to call such Series 2023 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 2023 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 2023 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 2023 Bonds shall be overdue. Series 2023 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 2023 Bonds of the same maturity in any authorized denomination or denominations. This subsection shall be applicable only if the Series 2023 Bonds are no longer held by a Depository, and as long as the Series 2023 Bonds are held by a Depository, transfers of ownership interests in the Series 2023 Bonds shall be governed by the rules of the Depository.

(j) Except as otherwise authorized herein, the Series 2023 Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as the Depository for the Series 2023 Bonds except as otherwise provided herein. References in this Section 4 to a Series 2023 Bond or the Series 2023 Bonds shall be construed to mean the Series 2023 Bond or the Series 2023 Bonds that are held under the Book-Entry System. One Series 2023 Bond for each maturity of the Series 2023 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 Series 2023 Bond will be immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the Series 2023 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 2023 Bonds. Beneficial ownership interests in the Series 2023 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 2023 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 2023 Bonds. Transfers of ownership interests in the Series 2023 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

2023 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE SERIES 2023 BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2023 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 2023 Bonds, so long as DTC is the only owner of the Series 2023 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 2023 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 2023 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 2023 Bonds in the form of fully registered Series 2023 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 2023 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 2023 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 2023 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 2023 Bonds for its own account, then the City may issue, acting by and through KUB, certificated Bonds without the utilization of DTC and the Book-Entry System.

(k) In case any Series 2023 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 2023 Bond of like tenor, amount, maturity and date, in exchange and substitution for, and upon the cancellation of, the mutilated Series 2023 Bond, or in lieu of and in substitution for such lost, stolen or destroyed Series 2023 Bond, or if any such Series 2023 Bond shall have matured or shall be about to mature, instead of issuing a substituted Series 2023 Bond KUB may pay or authorize payment of such Series 2023 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 2023 Bond, and indemnity satisfactory to KUB and the Registration Agent; and KUB may charge the applicant for the issue of such new Series 2023 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 2023 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 2023 Bonds in exchange for Series 2023 Bonds of the same principal amount delivered for transfer upon receipt of the Series 2023 Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Series 2023 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 2023 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 2023 Bonds for deposit with DTC, including but not limited to, wire transfers of interest and principal payments with respect to the Series 2023 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2023 Bonds and provision of notices with respect to Series 2023 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 2023 Bonds, provided, however, that the Registration Agent shall not be liable with respect to any such arrangements it may make pursuant to this Section 4.

Section 5. Source of Payment. The Series 2023 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 1990 Resolution on a parity and equality of lien with the Outstanding Bonds. The punctual payment of principal of and interest on the Series 2023 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 2023 Bonds shall have no recourse to the power of taxation of the City.

Section 6. Form of Series 2023 Bonds. The Series 2023 Bonds shall be in substantially the following form, the omissions to be appropriately completed when the Series 2023 Bonds are prepared and delivered:

(Form of Series 2023 Bond)

| | | | |
|--|----------------|------------------------|-----------|
| REGISTERED Number _____ | | REGISTERED \$ _____ | |
| UNITED STATES OF AMERICA STATE OF TENNESSEE COUNTY OF KNOX CITY OF KNOXVILLE WASTEWATER SYSTEM REVENUE BOND, SERIES 2023 | | | |
| 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 April 1, 2024, and semi-annually thereafter on the first day of April and October 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 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 of Commissioners of KUB (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, 2032 shall mature without option of prior redemption. The Bonds maturing on April 1, 2033 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, 2032, 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> |
|-----------------|----------------------------|---|
|-----------------|----------------------------|---|

*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 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 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 \$10,000,000 and issued by the City for the purpose of providing funds to finance the construction of extensions and improvements to the City's wastewater collection and treatment system (the "System"), including the payment of legal, fiscal and administrative 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-5-98, Resolution No. R-148-01 and Resolution No. 11-S, and as supplemented by Resolution No. R-____-2023 duly adopted by the City Council of the City on _____, 2023 and as otherwise supplemented prior to the date hereof (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 Bond, Series 2010C (Federally Taxable Build America Bonds), dated December 8, 2010, maturing April 1, 2040, the City's outstanding Wastewater System Revenue Refunding Bonds, Series 2015A, dated May 1, 2015, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Bonds, Series 2015B, dated May 20, 2015, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Bonds, Series 2016, dated August 5, 2016, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Refunding Bonds, Series 2017A, dated April 7, 2017, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Bonds, Series 2017B, dated September 15, 2017, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Bonds, Series 2018, dated September 14, 2018, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Bonds, Series 2019, dated August 20, 2019, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Refunding Bonds, Series 2020A, dated May 22, 2020, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Bonds, Series 2020B, dated October 30, 2020, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Refunding

Bonds, Series 2021A, dated April 19, 2021, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Refunding Bonds, Series 2022A, dated April 29, 2022, maturing April 1, 2024 and thereafter, the City's outstanding Wastewater System Revenue Refunding Bonds, Series 2022B, dated May 13, 2022, maturing April 1, 2024 and thereafter, and the City's outstanding Wastewater System Revenue Bonds, Series 2022C, dated December 16, 2022, maturing April 1, 2024 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) 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 (b) 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 his 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 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: _____

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:

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

Section 7. Equality of Lien; Pledge of Net Revenues. The punctual payment of principal of,
premium, if any, and interest on the Outstanding Bonds, the Series 2023 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 8. Applicability of the 1990 Resolution. The Series 2023 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 2023 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 2023 Bonds shall be Outstanding and unpaid either as to principal or interest, or until discharge and satisfaction of the Series 2023 Bonds as provided in Section 12 hereof, shall be applicable to the Series 2023 Bonds, shall inure to the benefit of owners of the Series 2023 Bonds as if set out in full herein, and shall be fully enforceable by the owner of any Series 2023 Bond.

All references to "holder" or "holders" in the 1990 Resolution shall be deemed to include owners of the Series 2023 Bonds, and all references to "Bonds" in the 1990 Resolution shall be deemed to include the Series 2023 Bonds.

Section 9. Sale of Series 2023 Bonds.

(a) The Series 2023 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 2023 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 2023 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 2023 Bonds to:

- (1) change the dated date to a date other than the date of issuance;
- (2) specify or change the series designation, including any change to reflect whether the Series 2023 Bonds have been previously issued, or change the designation of the Series 2023 Bonds to a designation other than "Wastewater System Revenue Bonds, Series 2023";
- (3) change the first interest payment date to a date other than April 1, 2024, provided that such date is not later than twelve months from the dated date of such emission of Series 2023 Bonds;
- (4) establish and adjust the principal and interest payment dates and determine maturity or mandatory redemption amounts of the Series 2023 Bonds or any emission thereof, provided that (A) the total principal amount of all emissions of the Series 2023 Bonds does not exceed the total amount of Series 2023 Bonds authorized herein, (B) the final maturity date of each emission shall be not later than April 1, 2053 and (C) the debt service payable in each fiscal year after the completion of the Project shall be approximately level or decreasing;

(5) (A) 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 and (B) provide for extraordinary optional redemption provisions;

(6) sell the Series 2023 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 2023 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 2023 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 2023 Bonds, providing for the purchase and sale of the Series 2023 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 2023 Bonds, provided any such changes are not inconsistent with the terms of this Section 9. If the Underwriter does not intend to reoffer the Series 2023 Bonds to the public, then the Bond Purchase Agreement shall be conformed to reflect such intention. The form of the Series 2023 Bond set forth in Section 6 hereof shall be conformed to reflect any changes made pursuant to this Section 9.

(d) The President and Chief Executive Officer and the Chief Financial Officer of KUB, or either of them, are authorized to cause the Series 2023 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 2023 Bonds are sold at public sale, the Series 2023 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.

(f) Each emission of Series 2023 Bonds shall be offered for sale as either Federally Tax-Exempt Bonds or as Federally Taxable Bonds as determined by KUB, in consultation with the Financial Advisor, by taking into account which type of Series 2023 Bond will result in the lowest cost to KUB with respect to such emission of Series 2023 Bonds taking into consideration the Direct Payment Credit projected to be received if such emission of Series 2023 Bonds is issued as Federally Taxable Bonds and such other factors affecting the cost of KUB, including redemption provisions relating to each such emission. KUB will cause to be filed with the transcript of proceedings for any emission of Federally Taxable Bonds, a report of the Financial Advisor as to the factors taken into account by the Financial Advisor in recommending that any emission be issued as Federally Taxable Bonds. If issued as Federally Taxable Bonds, the President and Chief Executive Officer of KUB, on behalf of the City and KUB, is directed to make any election required under applicable law to qualify such emission of Bonds for Direct Payment Credits on each interest payment date. KUB is further authorized to submit any required forms to the Internal Revenue Service or other applicable governmental agency for the purpose of receiving the Direct Payment Credit with respect to each interest payment date, or take such other actions required for receipt of the Direct Payment Credit required by the Internal Revenue Service of the United States Treasury or

other governmental agency. KUB is authorized to direct the deposit of the Direct Payment Credit as KUB deems appropriate, and such Direct Payment Credits shall be deemed funds of KUB when paid. All decisions by KUB made pursuant to this subsection shall be binding on the City, and no further action of the Governing Body with respect thereto shall be required. The President and Chief Executive Officer of KUB, as the designee of the Board, is authorized to take all actions required or authorized by this subsection.

Section 10. Disposition of Series 2023 Bond Proceeds. The proceeds of the sale of the Series 2023 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 2023 Bonds on the first interest payment date following delivery of the Series 2023 Bonds; and

(b) The remainder of the proceeds of the sale of the Series 2023 Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the "Wastewater System Construction Fund" (the "Construction Fund") to be kept separate and apart from all other funds of KUB. The funds in the Construction Fund shall be disbursed solely to pay the costs of the Project and issuance of the Series 2023 Bonds, including necessary legal, accounting, and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, rating agency fees, Registration Agent fees, and other necessary miscellaneous expenses incurred in connection with the Project and the issuance and sale of the Series 2023 Bonds. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be expended only for the purposes authorized by this resolution. Any funds remaining in the Construction Fund after completion of the Project and payment of authorized expenses shall be used to retire Series 2023 Bonds on the earliest possible date. Moneys in the Construction Fund shall be invested as directed by the Chief Financial Officer in such investments as shall be permitted by applicable law. All income derived from such investments shall be deposited to the Construction Fund.

Section 11. Discharge and Satisfaction of Series 2023 Bonds. The Series 2023 Bonds may be defeased, discharged and satisfied at any time as provided in Article XII of the 1990 Resolution.

Section 12. Federal Tax Matters. The City and KUB recognize that the purchasers and owners of the Series 2023 Bonds that are intended to be Federally Tax-Exempt 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 2023 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 2023 Bonds that are intended to be Federally Tax-Exempt 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 2023 Bonds that are intended to be Federally Tax-Exempt Bonds will not be used in a manner which will cause the Series 2023 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and to this end the said proceeds of the Series 2023 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 2023 Bonds that are intended to be Federally Tax-Exempt 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 2023 Bonds that are intended to be Federally Tax-Exempt 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 Series 2023 Bonds that are intended to be Federally Tax-Exempt Bonds as any or all shall deem appropriate, and such certifications shall constitute a representation and certification of the City and KUB.

Section 13. Official Statement. The President and Chief Executive Officer of KUB, or his designee, is hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement describing the Series 2023 Bonds. After the Series 2023 Bonds have been awarded, the President and Chief Executive Officer of KUB, or his 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 his designee, shall arrange for the delivery to the purchaser of the Series 2023 Bonds of a reasonable number of copies of the Official Statement within seven business days after the Series 2023 Bonds have been awarded for subsequent delivery by the purchaser, to each potential investor requesting a copy of the Official Statement and to each person to whom such purchaser and members of such purchaser's group initially sell the Series 2023 Bonds.

The President and Chief Executive Officer of KUB, or his 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 14. Continuing Disclosure. The City hereby covenants and agrees that KUB will provide annual financial information and material event notices for the Series 2023 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 2023 Bonds, an agreement for the benefit of and enforceable by the owners of the Series 2023 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 15. 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 16. 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 _____, 2023

Mayor

ATTEST:

City Recorder

STATE OF TENNESSEE)
)
COUNTY OF KNOX)

I, Will Johnson, 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 _____, 2023; 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 \$10,000,000 Wastewater System Revenue Bonds, Series 2023.

WITNESS my official signature and seal of the City of Knoxville, Tennessee, this ____ day of _____, 2023.

City Recorder
(seal)

EXHIBIT A

**\$10,000,000
CITY OF KNOXVILLE, TENNESSEE
ACTING ON BEHALF OF KNOXVILLE UTILITIES BOARD
WASTEWATER SYSTEM REVENUE BONDS, SERIES 2023**

BOND PURCHASE AGREEMENT

_____, 2023

Knoxville Utilities Board
445 South Gay Street
Knoxville, Tennessee 37902

Ladies and 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 _____, 2023.

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 \$10,000,000 aggregate principal amount of KUB's Wastewater System Revenue Bonds, Series 2023 (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 (the "Bond Resolution") adopted on _____, 2023, 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 finance the cost of extensions and improvements to the wastewater collection and treatment system operated by KUB on behalf of the City (the "System"), including the payment of legal, fiscal and administrative 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 a 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, (c) 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 (d) 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 _____, 2023, 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 6(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 is 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: _____
President and Chief Executive 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 _____, 2023 (the "Bond Purchase Agreement"), between _____ (the "Underwriter"), and Knoxville Utilities Board ("KUB"), relating to the sale by KUB of its Wastewater System Revenue Bonds, Series 2023, in the aggregate principal amount of \$10,000,000 (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 _____, 2023, 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

_____, 2023

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

Re: City of Knoxville, Tennessee acting on behalf of the Knoxville Utilities Board \$10,000,000 Wastewater System Revenue Bonds, Series 2023

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 finance extensions and improvements to the wastewater collection and treatment system described herein.

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, 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,

35412128.2

RESOLUTION NO. 1478

A Resolution Making and Fixing the Annual Budget Appropriations of the Knoxville Utilities Board from the Funds of the Electric Division, the Gas Division, the Water Division, the Wastewater Division, and the Fiber Division for the Fiscal Year Beginning July 1, 2023, Providing for Expenditures Paid for the Period Beginning July 1, 2023, and Ending June 30, 2024

Whereas, Section 1109 of the Charter of the City of Knoxville provides that “No money shall be drawn from the treasury of the system nor shall any obligation for the expenditure of money be incurred except in pursuance of appropriations made by the board”; and

Whereas, Article IX.B.2. of the Knoxville Utilities Board of Commissioners (the “Board”) Bylaws provides that: “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 shall require the vice president serving as the chief financial officer to certify the availability of funds adequate to fund the proposed budget”; and “the Board shall approve a budget for the forthcoming fiscal year no later than fifteen (15) days prior to its beginning”; and

Whereas, KUB staff formally presented the proposed budget appropriations for the fiscal year beginning July 1, 2023, to the Board at the Board’s budget workshop on April 20, 2023, and the Board has found their adoption to be in the best interest of KUB and its customers; and

Whereas, the Chief Financial Officer (CFO) of the Knoxville Utilities Board (“KUB”) has certified the availability of funds to support the proposed budget appropriations pursuant to the Board’s By-Laws.

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

Section 1. That budget appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, providing for expenditures paid for said fiscal year, be and the same are hereby made from the funds of the Electric Division, for the purposes and in the amount as follows:

Appropriations of the Electric Division (including appropriations for operation, maintenance, construction, administrative expenses, interest, bond retirements, bond funds, and payments in lieu of taxes), of which amount funds for construction may be taken from the proceeds from the sale of any electric system revenue bonds or notes, in the amount of **\$772,530,000.**

Included in the stated appropriated amount, in accordance with Tennessee Code Annotated §7-52-603, the Electric Division is hereby authorized to lend to the Fiber Division funds in the amount of Nine Million Dollars (\$9,000,000) to acquire, construct and provide working capital for the KUB fiber system communications network, plant and equipment necessary to provide broadband services.

Section 2. That budget appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, providing for expenditures paid for said fiscal year, be and the same are hereby made from the funds of the Gas Division, for the purposes and in the amount as follows:

Appropriations of the Gas Division (including appropriations for operation, maintenance, construction, administrative expenses, interest, bond retirements, bond funds, and payments in lieu of taxes), of which amount funds for construction may be taken from the proceeds from the sale of any gas system revenue bonds or notes, in the amount of **\$152,722,000.**

Section 3. That budget appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, providing for expenditures paid for said fiscal year, be and the same are hereby made from the funds of the Water Division, for the purposes and in the amount as follows:

Appropriations of the Water Division (including appropriations for operation, maintenance, construction, administrative expenses, interest, bond retirements, bond funds, and payments in lieu of taxes), of which amount funds for construction may be taken from the proceeds from the sale of any water system revenue bonds or notes, in the amount of **\$111,225,000.**

Section 4. That appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, be and the same are hereby made from the funds of the Wastewater Division, for the purposes and in the amount as follows:

Appropriations of the Wastewater Division (including appropriations for operation, maintenance, construction, administrative expenses, interest, bond retirements, bond funds, and payments in lieu of taxes), of which amount funds for construction may be taken from the proceeds from the sale of any wastewater system revenue bonds or notes, in the amount of **\$132,353,000.**

Section 5. That budget appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, providing for expenditures paid for said fiscal year, be and the same are hereby made from the funds of the Fiber Division, for the purposes and in the amount as follows:

Appropriations of the Fiber Division (including appropriations for operation, maintenance, construction, administrative expenses, interest, loan retirements, and payments in lieu of taxes), of which amount funds for construction may be taken from the proceeds from the sale of any fiber system revenue bonds or notes, in the amount of **\$30,017,000**.

Section 6. That expenditures for the sole benefit of the electric system shall be charged to the foregoing appropriations and from the funds of the Electric Division. Expenditures for the sole benefit of the natural gas system shall be charged to the foregoing appropriations and from the funds of the Gas Division. Expenditures for the sole benefit of the water system shall be charged to the foregoing appropriations and from the funds of the Water Division. Expenditures for the sole benefit of the wastewater system shall be charged to the foregoing appropriations and from the funds of the Wastewater Division. Expenditures for the sole benefit of the fiber system shall be charged to the foregoing appropriations and from the funds of the Fiber Division. All expenditures for the joint benefit of the electric system, natural gas system, water system, wastewater system, and/or fiber system shall be charged to the foregoing appropriations and from the funds of such divisions in accordance with the applicable division cost allocations in effect at the time of said expenditure.

Section 7. That in addition to the foregoing appropriations, whenever any sums are due and payable under customers' deposit agreements, under agreements providing for refundable advances to the system in connection with the construction of additions to a system, or for refunds associated with overpayments by customers, the President and CEO of KUB, or his designee, is authorized to refund any or all such sums that are or become due and payable; and all sums necessary to make such refunds shall be and the same are hereby appropriated from the funds of the divisions properly chargeable therewith.

Section 8. That in addition to the foregoing appropriations, whenever any sums are due and payable during the fiscal year beginning July 1, 2023, and ending June 30, 2024, for the entire principal amount of any debt issued during the fiscal year beginning July 1, 2023, and ending June 30, 2024, the President and CEO of KUB, or his designee, is authorized to pay any or all such sums that are or become due and payable, and all sums necessary to make such payments shall be and the same are hereby appropriated from the funds of the divisions properly chargeable therewith.

Section 9. That in addition to the foregoing appropriations, whenever any sums are received by a division on behalf of an external entity, including but not limited to the collection of sales tax, such sums shall be and the same are hereby appropriated from the funds of said division, for the purpose of paying the cost of the functions in connection with which such sums are received.

Section 10. That in addition to the foregoing appropriations, whenever any sums are received by a division from an external entity for pandemic related assistance to KUB customers, such sums shall be and the same are hereby appropriated from the funds of said division for expenditures in connection with the purposes for which such sums are received by KUB.

Section 11. That in addition to the foregoing appropriations, whenever any sums are received by a division on behalf of another division, or through the misapplication of division cost allocations, such sums shall be and the same are hereby appropriated from the funds of said division, for the purpose of paying such sums received to the appropriate division.

Section 12. That the KUB organizational structure, as determined by the President and CEO, which supports the electric, natural gas, water, wastewater, and fiber systems that will benefit from expenditures charged to the foregoing appropriations, is hereby approved and ratified by the Board.

Section 13. That all appropriations made herein shall terminate effective July 1, 2024, and any unexpended balances of such appropriations shall revert to the general funds of the division from which originally appropriated.

Section 14. That funds will be available for each division to fund the expenditures to be paid for the fiscal year beginning July 1, 2023, as noted in Sections 1, 2, 3, 4 and 5 of this Resolution. The availability of funds has been certified by letter from the Senior Vice President and Chief Financial Officer, whereby said letter is attached to and incorporated by reference as part of this Resolution.

Section 15 . Be it Further Resolved that this Resolution shall take effect from and after its passage.

Adrienne Simpson-Brown/s
Adrienne Simpson-Brown, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 5-18-23
EFFECTIVE DATE: 5-18-23
MINUTE BOOK 46 PAGE 12020-12025



May 12, 2023

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

Commissioners,

I hereby certify that within the meaning of Section 1109 of the City of Knoxville Charter and Article IX.B.2.c. of the Board's By-Laws there are sufficient funds adequate to fund the proposed budget appropriations for the fiscal year beginning July 1, 2023, as provided for in Resolution 1478, as follows:

| <u>Division</u> | <u>Amount</u> |
|-----------------|----------------|
| Electric | \$ 772,530,000 |
| Gas | \$ 152,722,000 |
| Water | \$ 111,225,000 |
| Wastewater | \$ 132,353,000 |
| Fiber | \$ 30,017,000 |

The availability of funds for budget appropriations is based on general fund cash and all available cash reserves of the respective divisions as of July 1, 2023, and all monies anticipated to come into the general fund of each division on or before June 30, 2024, from utility sales at rates approved by the KUB Board; from other fees, charges, sales proceeds, accounts and notes receivable, or other credits in the process of collection; and from proceeds of authorized, debt issues and interdivision loans.

Please see the enclosed worksheet which demonstrates the availability of funds to support the proposed budget appropriations.

Respectfully submitted,

A handwritten signature in blue ink that reads "Mark Walker".

Mark Walker
Senior Vice President and CFO

Enclosure

May 2023 Certification of Available Funds - FY 2024 Budget Appropriations

Electric Division: Certification of Available Funds

| | FY 2024 |
|--|----------------------|
| Beginning General Fund Cash (as of July 1, 2023) | \$68,935,000 |
| Sales Revenues | \$653,910,000 |
| Other Revenues | \$40,402,000 |
| Bond Proceeds | \$55,000,000 |
| Cash Reserves | \$45,737,000 |
| Total | \$863,984,000 |
| FY 2024 Budget Appropriations (Res. 1478) | \$772,530,000 |
| Available Funds (as of June 30, 2024) | \$91,454,000 |

If positive, there are available funds to fund appropriations.

Gas Division: Certification of Available Funds

| | FY 2024 |
|--|----------------------|
| Beginning General Fund Cash (as of July 1, 2023) | \$18,057,000 |
| Sales Revenues | \$139,485,000 |
| Other Revenues | \$5,456,000 |
| Bond Proceeds | \$0 |
| Cash Reserves | \$16,142,000 |
| Total | \$179,140,000 |
| FY 2024 Budget Appropriations (Res. 1478) | \$152,722,000 |
| Available Funds (as of June 30, 2024) | \$26,418,000 |

If positive, there are available funds to fund appropriations.

Water Division: Certification of Available Funds

| | FY 2024 |
|--|----------------------|
| Beginning General Fund Cash (as of July 1, 2023) | \$16,671,000 |
| Sales Revenues | \$67,689,000 |
| Other Revenues | \$15,515,000 |
| Bond Proceeds | \$20,000,000 |
| Cash Reserves | \$17,050,000 |
| Total | \$136,925,000 |
| FY 2024 Budget Appropriations (Res. 1478) | \$111,225,000 |
| Available Funds (as of June 30, 2024) | \$25,700,000 |

If positive, there are available funds to fund appropriations.

Wastewater Division: Certification of Available Funds

| | FY 2024 |
|--|----------------------|
| Beginning General Fund Cash (as of July 1, 2023) | \$24,998,000 |
| Sales Revenues | \$107,017,000 |
| Other Revenues | \$6,330,000 |
| Bond Proceeds | \$10,000,000 |
| Cash Reserves | \$32,668,000 |
| Total | \$181,013,000 |
| FY 2024 Budget Appropriations (Res. 1478) | \$132,353,000 |
| Available Funds (as of June 30, 2024) | \$48,660,000 |

If positive, there are available funds to fund appropriations.

Fiber Division: Certification of Available Funds

| | FY 2024 |
|--|---------------------|
| Beginning General Fund Cash (as of July 1, 2023) | \$11,122,000 |
| Sales Revenues | \$14,243,000 |
| Other Revenues | \$466,000 |
| Loan Proceeds | \$9,000,000 |
| Cash Reserves | \$0 |
| Total | \$34,831,000 |
| FY 2024 Budget Appropriations (Res. 1478) | \$30,017,000 |
| Available Funds (as of June 30, 2024) | \$4,814,000 |

If positive, there are available funds to fund appropriations.

RESOLUTION NO. 1479

A Resolution Approving Commitment Appropriations for the Fiscal Year Beginning July 1, 2023, Thereby Authorizing the Commitment of Expenditures to be Paid Subsequent to June 30, 2024, for Contractual Commitments Executed and Other Obligations Incurred on or Before June 30, 2024

Whereas, Section 1109 of the Charter of the City of Knoxville provides that “No money shall be drawn from the treasury of the system nor shall any obligation for the expenditure of money be incurred except in pursuance of appropriations made by the board”; and

Whereas, as of July 1, 2023, the Knoxville Utilities Board (“KUB”) will have previously entered into contractual commitments and other obligations for goods and services to be received after June 30, 2024, resulting in the commitment of expenditures to be paid subsequent to June 30, 2024, for which said commitments were charged against a prior appropriation made by the KUB Board of Commissioners (the “Board”); and

Whereas, the amount of the prior appropriation for such commitments shall terminate as of July 1, 2023; and

Whereas, KUB staff anticipates KUB will enter into additional contracts and obligations during the period beginning July 1, 2023, and ending June 30, 2024, for goods and services to be received subsequent to June 30, 2024, resulting in the commitment of expenditures to be paid subsequent to June 30, 2024; and

Whereas, the appropriations provided for in this Resolution shall provide for the commitment of expenditures from KUB subsequent to June 30, 2024, for goods and services to be received by KUB subsequent to June 30, 2024, resulting from contractual commitments executed and other obligations incurred by KUB on or before June 30, 2024; and

Whereas, the Chief Financial Officer (CFO) has certified the availability of funds to support the proposed commitment appropriations; and

Whereas, the Board has found the adoption of the proposed commitment appropriations to be in the best interest of KUB and its customers.

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

Section 1. That commitment appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, providing for the commitment of expenditures to be paid subsequent to June 30, 2024, for goods and services to be received subsequent to June 30, 2024, resulting from contractual commitments and other obligations incurred on or before June 30, 2024, be and the same are hereby made from the funds of the Electric Division, in the amount of **\$45,942,000**.

Section 2. That commitment appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, providing for the commitment of expenditures to be paid subsequent to June 30, 2024, for goods and services to be received subsequent to June 30, 2024, resulting from contractual commitments and other obligations incurred on or before June 30, 2024, be and the same are hereby made from the funds of the Gas Division, in the amount of **\$8,639,000**.

Section 3. That commitment appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, providing for the commitment of expenditures to be paid subsequent to June 30, 2024, for goods and services to be received subsequent to June 30, 2024, resulting from contractual commitments and other obligations incurred on or before June 30, 2024, be and the same are hereby made from the funds of the Water Division, in the amount of **\$37,824,000**.

Section 4. That commitment appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, providing for the commitment of expenditures to be paid subsequent to June 30, 2024, for goods and services to be received subsequent to June 30, 2024, resulting from contractual commitments and other obligations incurred on or before June 30, 2024, be and the same are hereby made from the funds of the Wastewater Division, in the amount of **\$27,558,000**.

Section 5. That commitment appropriations for the fiscal year beginning July 1, 2023, and ending June 30, 2024, providing for the commitment of expenditures to be paid subsequent to June 30, 2024, for goods and services to be received subsequent to June 30, 2024, resulting from contractual commitments and other obligations incurred on or before June 30, 2024, be and the same are hereby made from the funds of the Fiber Division, in the amount of **\$3,611,000**.

Section 6. That funds will be available for each division to fund the expenditures to be paid subsequent to June 30, 2024, for contractual commitments executed and other obligations incurred on or before June 30, 2024, as noted in Sections 1, 2, 3, 4 and 5 of this Resolution. The availability of funds has been certified by letter from the Senior Vice President and Chief Financial Officer, whereby said letter is attached to and incorporated by reference as part of this Resolution.

Section 7. That all appropriations made herein shall terminate effective July 1, 2024.

Section 8. Be it Further Resolved that this Resolution shall take effect from and after its passage.

Adrienne Simpson-Brown/s
Adrienne Simpson-Brown, Chair

Mark Walker/s
Mark Walker, Board Secretary

APPROVED ON 1st
& FINAL READING: 5-18-23
EFFECTIVE DATE: 5-18-23
MINUTE BOOK 46 PAGE 12026-12031



May 12, 2023

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

Commissioners,

I hereby certify that within the meaning of Section 1109 of the City of Knoxville Charter and Article IX.B.3.b. of the Board's By-Laws there are sufficient funds adequate to fund the proposed commitment appropriations for the fiscal year beginning July 1, 2023, as provided for in Resolution 1479, as follows:

| <u>Division</u> | <u>Amount</u> |
|-----------------|---------------|
| Electric | \$ 45,942,000 |
| Gas | \$ 8,639,000 |
| Water | \$ 37,824,000 |
| Wastewater | \$ 27,558,000 |
| Fiber | \$ 3,611,000 |

The availability of funds for commitment appropriations is based on general fund cash and all available cash reserves of the respective divisions as of July 1, 2024, and all monies anticipated to come into the general fund of each division prior to the maturity of the contractual commitments and other obligations from utility sales at rates approved by the KUB Board; from other fees, charges, sales proceeds, accounts and notes receivable, or other credits in the process of collection; and from proceeds of authorized debt issues.

Please see the enclosed worksheet which demonstrates the availability of funds to support the proposed commitment appropriations.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Mark A. Walker'.

Mark A. Walker
Senior Vice President and CFO

Enclosure

May 2023: Certification of Available Funds - FY 2024 Commitment Appropriations

Electric Division: Certification of Available Funds

| | FY 2025 |
|--|---------------------|
| Available Funds (as of July 1, 2024) | \$91,454,000 |
| Sales Revenues | \$675,162,000 |
| Other Revenues | \$47,289,000 |
| Total | \$813,905,000 |
| FY 2024 Commitment Appropriations (Res. 1479) | \$45,942,000 |
| Available Funds (as of June 30, 2025) | \$767,963,000 |

If positive, there are available funds to fund appropriations.

Gas Division: Certification of Available Funds

| | FY 2025 |
|--|--------------------|
| Available Funds (as of July 1, 2024) | \$26,418,000 |
| Sales Revenues | \$137,401,000 |
| Other Revenues | \$5,520,000 |
| Total | \$169,339,000 |
| FY 2024 Commitment Appropriations (Res. 1479) | \$8,639,000 |
| Available Funds (as of June 30, 2025) | \$160,700,000 |

If positive, there are available funds to fund appropriations.

Water Division: Certification of Available Funds

| | FY 2025 |
|--|---------------------|
| Available Funds (as of July 1, 2024) | \$25,700,000 |
| Sales Revenues | \$70,934,000 |
| Other Revenues | \$15,510,000 |
| Total | \$112,144,000 |
| FY 2024 Commitment Appropriations (Res. 1479) | \$37,824,000 |
| Available Funds (as of June 30, 2025) | \$74,320,000 |

If positive, there are available funds to fund appropriations.

Wastewater Division: Certification of Available Funds

| | FY 2025 |
|--|---------------------|
| Available Funds (as of July 1, 2024) | \$48,660,000 |
| Sales Revenues | \$110,874,000 |
| Other Revenues | \$5,686,000 |
| Total | \$165,220,000 |
| FY 2024 Commitment Appropriations (Res. 1479) | \$27,558,000 |
| Available Funds (as of June 30, 2025) | \$137,662,000 |

If positive, there are available funds to fund appropriations.

Fiber Division: Certification of Available Funds

| | FY 2025 |
|--|--------------------|
| Available Funds (as of July 1, 2024) | \$4,814,000 |
| Sales Revenues | \$40,153,000 |
| Other Revenues | \$352,000 |
| Total | \$45,319,000 |
| FY 2024 Commitment Appropriations (Res. 1479) | \$3,611,000 |
| Available Funds (as of June 30, 2025) | \$41,708,000 |

If positive, there are available funds to fund appropriations.

May 2023 - Commitments for Future Year Expenditures

| Electric Division | FY 2025 | FY 2026+ |
|--|----------------------|---------------------|
| Substation improvements | \$ 10,800,000 | \$ 1,200,000 |
| Stock Purchases | \$ 10,500,000 | \$ 140,400 |
| Vegetation management circuit trimming | \$ 4,000,000 | \$ - |
| Information technology | \$ 2,690,000 | \$ 3,920,000 |
| 69kV transmission line improvements | \$ 2,685,000 | \$ - |
| Vehicles and equipment | \$ 2,590,500 | \$ 4,370,900 |
| Fiber huts | \$ 1,300,000 | \$ - |
| 13kV distribution system improvements | \$ 1,010,700 | \$ - |
| Facilities upgrades | \$ 734,500 | \$ - |
| | \$ 36,310,700 | \$ 9,631,300 |

| Natural Gas Division | FY 2025 | FY 2026+ |
|--|---------------------|---------------------|
| Utility relocations for highway projects | \$ 300,000 | \$ - |
| Gate station improvements | \$ 150,000 | \$ - |
| Connectors and extensions | \$ 3,800,000 | \$ - |
| Information technology | \$ 800,000 | \$ 1,280,000 |
| Vehicles and equipment | \$ 447,900 | \$ 471,600 |
| Stock purchases | \$ 500,000 | \$ - |
| Steel main replacement projects | \$ 750,000 | \$ - |
| Properties upgrades | \$ 139,500 | \$ - |
| | \$ 6,887,400 | \$ 1,751,600 |

| Water Division | FY 2025 | FY 2026+ |
|-----------------------------------|----------------------|---------------------|
| MBW filters and backwash pumps | \$ 24,758,000 | \$ - |
| Galvanized main replacements | \$ 1,311,000 | \$ - |
| Information technology | \$ 700,000 | \$ 1,120,000 |
| Stock purchases | \$ 1,000,000 | \$ - |
| Pressure management | \$ 441,000 | \$ - |
| Booster pump station improvements | \$ 500,000 | \$ - |
| Resiliency projects | \$ 1,925,000 | \$ 2,695,000 |
| Properties upgrades | \$ 2,120,900 | \$ - |
| Vehicles and equipment | \$ 607,200 | \$ 645,900 |
| | \$ 33,363,100 | \$ 4,460,900 |

| Wastewater Division | FY 2025 | FY 2026+ |
|-----------------------------------|----------------------|---------------------|
| Main rehabilitation & replacement | \$ 8,555,000 | \$ - |
| Pump stations and forcemains | \$ 8,383,200 | \$ 5,000,000 |
| Stock purchases | \$ 100,000 | \$ - |
| Plant improvements | \$ 2,000,000 | \$ - |
| Information technology | \$ 1,050,000 | \$ 1,680,000 |
| Vehicles and equipment | \$ 393,000 | \$ 201,500 |
| Properties upgrades | \$ 195,300 | \$ - |
| | \$ 20,676,500 | \$ 6,881,500 |

| Fiber Division | FY 2025 | FY 2026+ |
|------------------------|---------------------|---------------------|
| Stock purchases | \$ 500,000 | \$ - |
| Fiber network expense | \$ 730,200 | \$ - |
| Marketing | \$ 285,000 | \$ - |
| Information technology | \$ 540,000 | \$ - |
| Vehicles and equipment | \$ 500,000 | \$ 1,000,000 |
| Properties upgrades | \$ 55,800 | \$ - |
| | \$ 2,611,000 | \$ 1,000,000 |