

## SUMMARY NOTICE OF SALE

**\$78,000,000\***

### **CITY OF KNOXVILLE, TENNESSEE**

**\$40,000,000\* Electric System Revenue Bonds, Series DD-2014**

**\$8,000,000\* Water System Revenue Bonds, Series AA-2014**

**\$30,000,000\* Wastewater System Revenue Bonds, Series 2014A**

NOTICE IS HEREBY GIVEN that separate electronic or sealed written bids will be received by the President and CEO of KUB, at the offices of Cumberland Securities Company, Inc., Knoxville, Tennessee, until 10:15 a.m. E.D.T. on Wednesday, August 20, 2014, on behalf of the City for the purchase of \$40,000,000\* Electric System Revenue Bonds, Series DD-2014 (“Electric Bonds” or “Series DD-2014 Bonds”). Prior to accepting bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to postpone the sale to a later date, or to cancel the sale based upon market conditions via munihub at the internet website address ([www.prospectushub.com](http://www.prospectushub.com)) and/or the *BIDCOMP™/PARITY™* System not later than 9:15 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via munihub at the internet website address ([www.prospectushub.com](http://www.prospectushub.com)) and/or the *BIDCOMP™/PARITY™* System.

NOTICE IS HEREBY GIVEN that separate electronic or sealed written bids will be received by the President and CEO of KUB, at the offices of Cumberland Securities Company, Inc., Knoxville, Tennessee, until 11:00 a.m. E.D.T. on Wednesday, August 20, 2014, on behalf of the City for the purchase of \$8,000,000\* Water System Revenue Bonds, Series AA-2014 (“Water Bonds” or “Series AA-2014 Bonds”). Prior to accepting bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to postpone the sale to a later date, or to cancel the sale based upon market conditions via munihub at the internet website address ([www.prospectushub.com](http://www.prospectushub.com)) and/or the *BIDCOMP™/PARITY™* System not later than 10:00 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via munihub at the internet website address ([www.prospectushub.com](http://www.prospectushub.com)) and/or the *BIDCOMP™/PARITY™* System.

NOTICE IS HEREBY GIVEN that separate electronic or sealed written bids will be received by the President and CEO of KUB, at the offices of Cumberland Securities Company, Inc., Knoxville, Tennessee, until 11:45 a.m. E.D.T. on Wednesday, August 20, 2014, on behalf of the City for the purchase of \$30,000,000\* Wastewater System Revenue Bonds, Series 2014A (“Wastewater Bonds” or “Series 2014A Bonds”). Prior to accepting bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to postpone the sale to a later date, or to cancel the sale based upon market conditions via munihub at the internet website address ([www.prospectushub.com](http://www.prospectushub.com)) and/or the *BIDCOMP™/PARITY™* System not later than 10:45 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via munihub at the internet website address ([www.prospectushub.com](http://www.prospectushub.com)) and/or the *BIDCOMP™/PARITY™* System.

The Electric Bonds, the Water Bonds, and the Wastewater Bonds are collectively referred to herein as the “Bonds”.

Electronic bids for the Bonds must be submitted through *BIDCOMP™/PARITY™* and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division’s *BIDCOMP™* Competitive Bidding System is required in order to submit an electronic bid. Neither the City nor KUB will confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by *BIDCOMP™/PARITY™* shall constitute the official time with respect to all bids

\*Subject to Change.

whether in electronic or written form. To the extent any instructions or directions set forth in ***BIDCOMP™/PARITY™*** conflict with the terms of the Detailed Notice of Sale, such Notice shall prevail.

The Electric Bonds will be dated the date of issuance (assume September 18, 2014). The Electric Bonds will mature on July 1 in the years 2015 through 2044, inclusive, and will be subject to optional redemption prior to maturity on or after July 1, 2021. The approving opinion for the Electric Bonds will be furnished at the expense of KUB by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Electric Bonds shall exceed five percent (5.0%). No bid will be considered for the Electric Bonds for less than ninety-nine and one-quarter percent (99.25%) of par and accrued interest or more than one hundred and twenty-five percent (125%) of par and accrued interest. Unless bids are rejected, the Electric Bonds will be awarded separately by the President and CEO on the sale date to the bidder whose bid result in the lowest true interest rate on the Electric Bonds.

The Water Bonds will be dated the date of issuance (assume September 18, 2014). The Water Bonds will mature on March 1 in the years 2015 through 2044, inclusive, and will be subject to optional redemption prior to maturity on or after March 1, 2021. The approving opinion for the Water Bonds will be furnished at the expense of KUB by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Water Bonds shall exceed five percent (5.0%). No bid will be considered for the Water Bonds for less than ninety-nine and one-quarter percent (99.25%) of par and accrued interest or more than one hundred and twenty-five percent (125%) of par and accrued interest. Unless bids are rejected, the Water Bonds will be awarded separately by the President and CEO on the sale date to the bidder whose bid result in the lowest true interest rate on the Water Bonds.

The Wastewater Bonds will be dated the date of issuance (assume September 18, 2014). The Wastewater Bonds will mature on April 1 in the years 2015 through 2049, inclusive, and will be subject to optional redemption prior to maturity on or after April 1, 2021. The approving opinion for the Wastewater Bonds will be furnished at the expense of KUB by Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Wastewater Bonds shall exceed five percent (5.0%). No bid will be considered for the Wastewater Bonds for less than ninety-nine and one-quarter percent (99.25%) of par and accrued interest or more than one hundred and twenty-five percent (125%) of par and accrued interest. Unless bids are rejected, the Wastewater Bonds will be awarded separately by the President and CEO on the sale date to the bidder whose bid result in the lowest true interest rate on the Wastewater Bonds.

Electronic bids made through the facilities of ***BIDCOMP™/PARITY™*** shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to KUB. KUB, Bond Counsel and the Financial Advisor shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by ***BIDCOMP™/PARITY™***. The use of the ***BIDCOMP™/PARITY™*** facility is at the sole risk of the prospective bidders.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through [www.prospectushub.com](http://www.prospectushub.com) or Mintha E. Roach, President & CEO, Knoxville Utilities Board, 445 South Gay Street, Knoxville, Tennessee 37902 or from KUB's Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee (865) 988-2663 or Munihub at ([www.prospectushub.com](http://www.prospectushub.com)). Further information regarding ***BIDCOMP™/PARITY™*** may be obtained from ***PARITY™***, 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 800.850.7422.

CITY OF KNOXVILLE, TENNESSEE  
By and Through  
KNOXVILLE UTILITIES BOARD

By: Mintha E. Roach  
President & CEO  
Knoxville Utilities Board

## DETAILED NOTICE OF SALE

**\$78,000,000\***

### **CITY OF KNOXVILLE, TENNESSEE**

**\$40,000,000\* Electric System Revenue Bonds, Series DD-2014**

**\$8,000,000\* Water System Revenue Bonds, Series AA-2014**

**\$30,000,000\* Wastewater System Revenue Bonds, Series 2014A**

NOTICE IS HEREBY GIVEN that separate electronic or sealed written bids will be received by the President and CEO of KUB, at the offices of Cumberland Securities Company, Inc., Knoxville, Tennessee, until 10:15 a.m. E.D.T. on Wednesday, August 20, 2014, on behalf of the City for the purchase of \$40,000,000\* Electric System Revenue Bonds, Series DD-2014 (“Electric Bonds” or “Series DD-2014 Bonds”). Prior to accepting bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to postpone the sale to a later date, or to cancel the sale based upon market conditions via munihub at the internet website address ([www.prospectushub.com](http://www.prospectushub.com)) and/or the **BiDCOMP™/PARITY™** System not later than 9:15 a.m., Eastern Daylight Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via munihub at the internet website address ([www.prospectushub.com](http://www.prospectushub.com)) and/or the **BiDCOMP™/PARITY™** System.

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The Electric Bonds, the Water Bonds, and the Wastewater Bonds are collectively referred to herein as the “Bonds”.

#### Description of the Bonds.

The Electric Bonds are being issued pursuant to Chapter 34, Title 7, and Chapter 21, Title 9, *Tennessee Code Annotated*, as amended (the “Act”), the Charter of the City (the “City Charter”), other applicable statutes, and pursuant to Resolution No. 1644 adopted by the City on January 4, 1949 as amended and supplemented by Resolution No. 2171 adopted February 22, 1955; Resolution No. 3491 adopted by the City on February 21, 1967; Resolution R-317-90

adopted by the City on October 30, 1990; Resolution No. R-469-92 adopted by the City on October 13, 1992; Resolution No. R-472-93 adopted by the City on October 26, 1993; Resolution No. R-95-95 adopted by the City on February 28, 1995; Resolution No. R-422-98 adopted by the City on October 20, 1998; Resolution No. R-64-01 adopted by the City on February 20, 2001; Resolution No. R-148-01 adopted by the City on March 20, 2001; Resolution No. R-480-01 adopted by the City on October 30, 2001; Resolution No. R-59-04 adopted by the City on March 2, 2004; Resolution No. R-261-05 adopted by the City on July 5, 2005; Resolution No. R-78-06 adopted by the City on February 28, 2006; Resolution No. R-251-08 adopted by the City on July 29, 2008; Resolution No. R-332-2010 adopted by the City on November 2, 2010; Resolution No. R-335-2011 adopted by the City on December 13, 2011; Resolution No. R-289-2012 adopted by the City on October 16, 2012; Resolution No. R-321-2012 adopted by the City on November 13, 2012; and Resolution No. R-213-2014 adopted by the City on June 24, 2014. Resolution Nos. 1644, 2171, 3491, R-317-90, R-469-92, R-472-93, R-95-95, R-422-98, R-64-01, R-148-01, R-480-01, R-59-04, R-261-05, R-78-06, R-251-08, R-332-2010, R-335-2011, R-289-2012, R-321-2012 and R-213-2014 are hereinafter sometimes collectively referred to as the “Electric Bond Resolutions.” All Electric System Revenue Bonds issued pursuant to such Electric Bond Resolutions are hereinafter referred to as the “Electric System Bonds.”

The Water Bonds are being issued pursuant to the Act, the City Charter, other applicable statutes, and pursuant to Resolution No. 2075 duly adopted by the City Council of the City on April 20, 1954, as amended and supplemented by Resolution No. 3633 duly adopted by the City on March 19, 1968; Resolution No. R-26-88 duly adopted by the City on February 9, 1988; Resolution No. R-318-90 duly adopted by the City on October 30, 1990; Resolution No. R-470-92 duly adopted by the City on October 13, 1992; Resolution No. R-474-93 duly adopted by the City on October 26, 1993; Resolution No. R-8-98 duly adopted by the City on January 27, 1998; Resolution No. R-65-01 duly adopted by the City on February 20, 2001; Resolution No. R-151-01 duly adopted by the City on March 20, 2001; Resolution No. R-482-01 duly adopted by the City on October 30, 2001; Resolution No. R-57-04 duly adopted by the City on March 2, 2004; Resolution No. R-263-05 duly adopted by the City on July 5, 2005; Resolution No. R-346-07 duly adopted by the City on August 28, 2007; Resolution No. R-211-09 duly adopted by the City on June 30, 2009; Resolution No. R-133-10 duly adopted by the City on May 4, 2010; Resolution No. R-285-2011 duly adopted by the City on October 4, 2011; Resolution No. R-337-2011 adopted by the City on December 13, 2011; Resolution No. R-323-2012 adopted by the City on November 13, 2012; Resolution No. R-243-2013 adopted by the City on July 23, 2013; and Resolution No. R-214-2014 adopted by the City on June 24, 2014. Resolution Nos. 2075, 3633, R-26-88, R-318-90, R-470-92, R-474-93, R-8-98, R-65-01, R-151-01, R-482-01, R-57-04, R-263-05, R-346-07, R-211-09, R-133-10, R-285-2011, R-337-2011, R-323-2012, R-243-2013 and R-214-2014 are hereinafter sometimes collectively referred to as the “Water Bond Resolutions.” All Water System Revenue Bonds issued pursuant to such Water Bond Resolutions are hereinafter referred to as the “Water System Bonds.”

The Wastewater Bonds are being issued pursuant to the Act, the City Charter, other applicable statutes for the purpose of providing funds to pay for the construction of improvements to and extending of the City’s Wastewater System, and pursuant to Resolution No. R-129-90 adopted by the City on May 15, 1990, as amended and supplemented by Resolution No. R-130-90 adopted May 15, 1990, Resolution No. R-473-93 adopted by the City on October 26, 1992, Resolution No. R-5-98 adopted by the City on January 27, 1998, and Resolution No. R-67-01 adopted by the City on February 20, 2001; Resolution No. R-148-01 adopted by the City on March 20, 2001; Resolution No. R-481-01 adopted by the City on October 30, 2001; Resolution No. R-56-04 adopted by the City on March 2, 2004; Resolution No. R-264-05 adopted by the City on July 5, 2005; Resolution No. R-347-07 adopted by the City on August 28, 2007; Resolution No. R-252-08 adopted by the City on July 29, 2008; Resolution No. R-11-S adopted by the City on December 15, 2009; Resolution No. R-134-2010 adopted by the City on May 4, 2010; Resolution No. R-334-2010 adopted by the City on November 2, 2010; Resolution No. R-338-2011 adopted by the City on December 13, 2011; Resolution No. R-291-2012 adopted by the City on October 16, 2012; Resolution No. R-324-2012 adopted by the City on November 13, 2012; and Resolution No. R-212-2014 adopted by the City on June 24, 2014. Resolution Nos. R-129-90, R-130-90, R-473-93, R-5-98, R-67-01, R-148-01, R-481-01, R-56-04, R-264-05, R-347-07, R-252-08, R-11-S, R-134-2010, R-334-2010, R-338-2011, R-291-2012, R-324-2012 and R-212-2014 are hereinafter sometimes collectively referred to as the “Wastewater Bond Resolutions.” All Wastewater System Revenue Bonds issued pursuant to such Wastewater Bond Resolutions are hereinafter referred to as the “Wastewater System Bonds.”

The Bonds will be issued in fully registered book-entry-only form without coupons, be dated the date of issuance, be issued, or reissued upon transfer, in \$5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable, and will mature (subject to the right of redemption as hereinafter set forth) and be payable as listed on below:

## ELECTRIC BONDS

<u>Maturity (July 1)</u>	<u>Amount*</u>	<u>Maturity (July1)</u>	<u>Amount*</u>
2015	\$ 675,000	2030	\$ 1,275,000
2016	700,000	2031	1,325,000
2017	725,000	2032	1,375,000
2018	775,000	2033	1,450,000
2019	800,000	2034	1,500,000
2020	825,000	2035	1,575,000
2021	875,000	2036	1,650,000
2022	900,000	2037	1,725,000
2023	950,000	2038	1,800,000
2024	975,000	2039	1,875,000
2025	1,025,000	2040	1,950,000
2026	1,075,000	2041	2,025,000
2027	1,125,000	2042	2,125,000
2028	1,175,000	2043	2,225,000
2029	1,225,000	2044	2,300,000

## WATER BONDS

<u>Maturity (March 1)</u>	<u>Amount*</u>	<u>Maturity (March 1)</u>	<u>Amount*</u>
2015	\$ 125,000	2030	\$ 250,000
2016	150,000	2031	275,000
2017	150,000	2032	275,000
2018	150,000	2033	300,000
2019	150,000	2034	300,000
2020	175,000	2035	325,000
2021	175,000	2036	325,000
2022	175,000	2037	350,000
2023	200,000	2038	350,000
2024	200,000	2039	375,000
2025	200,000	2040	375,000
2026	225,000	2041	400,000
2027	225,000	2042	425,000
2028	225,000	2043	450,000
2029	250,000	2044	450,000

## WASTEWATER BONDS

<u>Maturity (April 1)</u>	<u>Amount*</u>	<u>Maturity (April 1)</u>	<u>Amount*</u>
2015	\$ 375,000	2033	\$ 900,000
2016	425,000	2034	925,000
2017	450,000	2035	975,000
2018	475,000	2036	1,025,000
2019	475,000	2037	1,075,000
2020	500,000	2038	500,000
2021	525,000	2039	500,000
2022	550,000	2040	500,000
2023	575,000	2041	1,175,000
2024	600,000	2042	1,225,000
2025	625,000	2043	1,300,000
2026	650,000	2044	1,350,000
2027	700,000	2045	1,400,000
2028	725,000	2046	1,475,000
2029	750,000	2047	1,550,000
2030	775,000	2048	1,600,000
2031	825,000	2049	1,675,000
2032	850,000		

\*Subject to Change.

Registration and Depository Participation. The Bonds will be issued by means of a book-entry system and no physical distribution of bond certificates will be made to the public. One Bond certificate for each maturity will be issued to the Depository Trust Company, New York, New York (“DTC”), and immobilized in its custody. The book-entry system will evidence beneficial ownership interests of the Bonds in the principal amount of \$5,000 and any integral multiple of \$5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. Interest on the Bonds will be payable semiannually and

principal of the Bonds will be payable, at maturity or upon redemption, to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. Neither the City or KUB will be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that the book-entry-only system for the Bonds is discontinued and a successor securities depository is not appointed by the Board, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of \$5,000 or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and KUB and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the resolutions authorizing the Bonds.

Security Pledged. The Electric System Bonds, the Water System Bonds and Wastewater System Bonds will be issued pursuant to and secured by the Electric Bond Resolutions, the Water Bonds Resolutions and the Wastewater Bond Resolutions, respectively, and will be payable solely from the net revenues of the applicable System, as further described herein.

Rate Covenants. The City's bond resolutions require the Board to fix rates and collect charges for services, facilities and commodities furnished by the Systems so as to provide revenues sufficient to pay, as the same shall become due, the necessary expenses of operating and maintaining the Systems and all other obligations and indebtedness payable out of revenues of the respective Systems.

Purpose. The Bonds are being issued to provide funds to pay the costs of extension to and improvements to the Electric System, the Water System and the Wastewater System (collectively, the "Systems"), and the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance and sale of the Bonds.

Optional Redemption. The Electric Bonds maturing on and after July 1, 2022 will be subject to redemption prior to maturity at the option of the Board on or after July 1, 2021 at the redemption price of par plus accrued interest as provided herein. The Water Bonds maturing on and after March 1, 2022 will be subject to redemption prior to maturity at the option of the Board on or after March 1, 2021 at the redemption price of par plus accrued interest as provided herein. The Wastewater Bonds maturing on and after April 1, 2022 will be subject to redemption prior to maturity at the option of the Board on or after April 1, 2021 at the redemption price of par plus accrued interest as provided herein.

If less than all the Bonds shall be called for redemption, the Board, in its discretion, shall designate the maturity or maturities which will be redeemed. 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 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 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.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of the Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the Board at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund

redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the manner provided above for optional redemption of Bonds within a single maturity.

**Bidding Instructions.** Bidders are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum for the Bonds. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds, but a single rate shall apply to all Bonds of a single maturity. Bidders must bid not less than ninety-nine and one-quarter percent (99.25%) of par or more than one hundred and twenty-five percent (125%) of par for all of the Bonds.

Electronic bids for the Bonds must be submitted through **BiDCOMP™/PARITY™** and no other provider of electronic bidding services will be accepted. Subscription to i-Deal LLC Dalcomp Division's **BiDCOMP™** Competitive Bidding System is required in order to submit an electronic bid. Neither the City nor KUB will not confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by **BiDCOMP™/PARITY™** shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **BiDCOMP™/PARITY™** conflict with the terms of this Detailed Notice of Sale, this Notice shall prevail. Electronic bids made through the facilities of **BiDCOMP™/PARITY™** shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to KUB. KUB, the Board, the Bond Counsel and the Financial Advisor shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **PARITY™**. The use of the **BiDCOMP™/PARITY™** facilities is at the sole risk of the prospective bidders. For further information regarding **PARITY™**, potential bidders may contact **BiDCOMP™/PARITY™** at 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 800-850-7422.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid(s) prior to the established date and time by FACSIMILE transmission sent to KUB's Financial Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. KUB and the Financial Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Written sealed bids should be submitted in sealed envelope marked and "Bid for Bonds" to the President & CEO of KUB, at the offices of KUB's Financial Advisor, 813 S. Northshore Drive, Suite 201A, Knoxville, Tennessee 37919. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

KUB reserves the right to reject all bids for the Bonds or any series of the Bonds and to waive any informalities in the bids accepted.

Unless all bids for any series of the Bonds are rejected, each series of the Bonds will be awarded to the bidder(s) whose bid complies with this notice and results in the lowest true interest rate on that series of the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of that series of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase a series of the Bonds at the same lowest true interest rate, the President & CEO shall determine in her sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the Board, or the President and CEO of KUB, as its designee, reserves the right to make adjustments and/or revisions to the Bonds, as described below.

**Adjustment and/or Revision.** While it is the KUB's intention to sell and issue the approximate par amounts of each respective series of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size each series of Bonds. Accordingly, the President, or the CEO, as the Board's

designee, reserves the right, in her sole discretion, to adjust down the original par amount of each series of the bonds by up to ten percent (10.0%). Among other factors the President, or the CEO as its designee, may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of KUB. KUB also reserves the right to change the dated date of the Bonds. The maximum adjustment will take place only if the maximum bid is received.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the KUB's Financial Advisor (wire transfer or certified check) the amount of two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the KUB's Financial Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

The good faith deposit shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder(s) should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by KUB as liquidated damages.

In the event of the failure of KUB to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Reoffering Prices; Other Information. The successful bidders must, by facsimile transmission or electronic delivery, within one (1) hour after receipt of bids for the Bonds, furnish the following information to KUB to complete the OFFICIAL STATEMENT, in final form:

1. The offering prices for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest);
2. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);
3. The identity of the underwriters if the successful bidder(s) is/are part of a group or syndicate; and
4. Any other material information necessary to complete the OFFICIAL STATEMENT, in final form but not known to KUB.

The successful bidders for the Bonds will be required to provide KUB, when applicable, a certificate acceptable to bond counsel setting forth the initial offering price of the Bonds to the public (not including bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesaler) and certifying that the successful bidder has made a bona fide public offering of those Bonds to the public at the initial offering price and a substantial amount (10%) of each maturity of those Bonds was sold to the public or final purchasers.

Legal Opinion. The approving opinions of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, tax certificates and a continuing disclosure certificates dated as of the date of delivery of the Bonds will be furnished to the purchases at the expense of KUB. As set forth in the PRELIMINARY OFFICIAL STATEMENT, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal law alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. As set forth in the PRELIMINARY OFFICIAL STATEMENT, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds, reference is hereby made to the PRELIMINARY OFFICIAL STATEMENT and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, KUB will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain



financial information and operating data relating to KUB by not later than twelve months after each of KUB's fiscal years, (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events, if determined by KUB to be material under applicable federal securities laws. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the "MSRB") through the operation of the Electronic Municipal Market Access system (the "EMMA") and any State Information Depository established in the State of Tennessee (the "SID"). If KUB is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by KUB either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of material events will be summarized in KUB's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given the successful bidder. Delivery will be made in book-entry form through the facilities of The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of KUB. KUB will assume no obligation for assignment of such numbers or the correctness of such numbers, and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The Board has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. KUB will furnish the successful bidder(s) at the expense of KUB a reasonable number of copies of *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom such bidder(s) and members of its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between KUB and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from munihub at ([www.prospectushub.com](http://www.prospectushub.com)) or KUB's Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee, Telephone: 865-988-2663. Further information regarding *BiDCOMP™/PARITY™* may be obtained from *BiDCOMP™/PARITY™*, 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: 800.850.7422.

CITY OF KNOXVILLE, TENNESSEE  
By and Through  
KNOXVILLE UTILITIES BOARD  
By: Mintha E. Roach  
President & CEO  
Knoxville Utilities Board

**BID FORM – ELECTRIC BONDS**

Ms. Mintha Roach, President & CEO  
 Knoxville Utilities Board  
 445 Gay Street  
 Knoxville, Tennessee 37902

August 20, 2014

Dear Ms. Roach:

For your legally issued, properly executed \$40,000,000\* Electric System Revenue Bonds, Series DD-2014 (“Electric Bonds” or “Series DD-2014 Bonds”) of the City of Knoxville, Tennessee, in all respects as more fully outlined in your Notices of Sale, which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_ (\$\_\_\_\_\_).

The Bonds shall be dated the date of issuance (assume September 18, 2014) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on July 1 and bear interest at the following rates:

<u>Maturity (July 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity (July 1)</u>	<u>Amount*</u>	<u>Rate</u>
2015	\$ 675,000	_____	2030	\$ 1,275,000	_____
2016	700,000	_____	2031	1,325,000	_____
2017	725,000	_____	2032	1,375,000	_____
2018	775,000	_____	2033	1,450,000	_____
2019	800,000	_____	2034	1,500,000	_____
2020	825,000	_____	2035	1,575,000	_____
2021	875,000	_____	2036	1,650,000	_____
2022	900,000	_____	2037	1,725,000	_____
2023	950,000	_____	2038	1,800,000	_____
2024	975,000	_____	2039	1,875,000	_____
2025	1,025,000	_____	2040	1,950,000	_____
2026	1,075,000	_____	2041	2,025,000	_____
2027	1,125,000	_____	2042	2,125,000	_____
2028	1,175,000	_____	2043	2,225,000	_____
2029	1,225,000	_____	2044	2,300,000	_____

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

- Term Bond 1 includes the following maturities: From July 1, 20\_\_ to July 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 2 includes the following maturities: From July 1, 20\_\_ to July 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 3 includes the following maturities: From July 1, 20\_\_ to July 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 4 includes the following maturities: From July 1, 20\_\_ to July 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 5 includes the following maturities: From July 1, 20\_\_ to July 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 6 includes the following maturities: From July 1, 20\_\_ to July 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 7 includes the following maturities: From July 1, 20\_\_ to July 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 8 includes the following maturities: From July 1, 20\_\_ to July 1, 20\_\_; at the rate of \_\_\_\_%.

It is our understanding that the Bonds are offered for sale subject to the final approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, as Bond Counsel, whose opinion together with the executed Electric Bonds will be furnished by KUB without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the Electric Bonds on which we have bid by the close of business on the day following the competitive public sale. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Electric Bonds on which we have bid.

ACCEPTED this 20<sup>th</sup> day of August, 2014,  
 by the Knoxville Utilities Board.

Very truly yours,

\_\_\_\_\_  
 Mintha Roach, President & CEO

\_\_\_\_\_  
 Mark Walker, Senior Vice President & CFO

\_\_\_\_\_  
 (Name)  
 \_\_\_\_\_  
 (Firm)  
 \_\_\_\_\_  
 (Mailing Address)  
 \_\_\_\_\_  
 ( )

Total interest cost from date of bonds to maturity.....	\$ _____
Less premium bid, if any, or plus discount, if any.....	\$ _____
Net Interest Cost.....	\$ _____
True Interest Rate.....	_____ % (four decimals)

*The above computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.*

\*Subject to change.

**BID FORM – WATER BONDS**

Ms. Mintha Roach, President & CEO  
 Knoxville Utilities Board  
 445 Gay Street  
 Knoxville, Tennessee 37902

August 20, 2014

Dear Ms. Roach:

For your legally issued, properly executed \$8,000,000\* Water System Revenue Bonds, Series AA-2014 (“Water Bonds” or “Series AA-2014 Bonds”) of the City of Knoxville, Tennessee, in all respects as more fully outlined in your Notices of Sale, which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_ (\$\_\_\_\_\_).

The Bonds shall be dated the date of issuance (assume September 18, 2014) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on March 1 and bear interest at the following rates:

<u>Maturity (March 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity (March 1)</u>	<u>Amount*</u>	<u>Rate</u>
2015	\$ 125,000	_____	2030	\$ 250,000	_____
2016	150,000	_____	2031	275,000	_____
2017	150,000	_____	2032	275,000	_____
2018	150,000	_____	2033	300,000	_____
2019	150,000	_____	2034	300,000	_____
2020	175,000	_____	2035	325,000	_____
2021	175,000	_____	2036	325,000	_____
2022	175,000	_____	2037	350,000	_____
2023	200,000	_____	2038	350,000	_____
2024	200,000	_____	2039	375,000	_____
2025	200,000	_____	2040	375,000	_____
2026	225,000	_____	2041	400,000	_____
2027	225,000	_____	2042	425,000	_____
2028	225,000	_____	2043	450,000	_____
2029	250,000	_____	2044	450,000	_____

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

- Term Bond 1 includes the following maturities: From March 1, 20\_\_ to March 1, 20\_\_ ; at the rate of \_\_\_\_%.
- Term Bond 2 includes the following maturities: From March 1, 20\_\_ to March 1, 20\_\_ ; at the rate of \_\_\_\_%.
- Term Bond 3 includes the following maturities: From March 1, 20\_\_ to March 1, 20\_\_ ; at the rate of \_\_\_\_%.
- Term Bond 4 includes the following maturities: From March 1, 20\_\_ to March 1, 20\_\_ ; at the rate of \_\_\_\_%.
- Term Bond 5 includes the following maturities: From March 1, 20\_\_ to March 1, 20\_\_ ; at the rate of \_\_\_\_%.
- Term Bond 6 includes the following maturities: From March 1, 20\_\_ to March 1, 20\_\_ ; at the rate of \_\_\_\_%.
- Term Bond 7 includes the following maturities: From March 1, 20\_\_ to March 1, 20\_\_ ; at the rate of \_\_\_\_%.
- Term Bond 8 includes the following maturities: From March 1, 20\_\_ to March 1, 20\_\_ ; at the rate of \_\_\_\_%.

It is our understanding that the Bonds are offered for sale subject to the final approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, as Bond Counsel, whose opinion together with the executed Water Bonds will be furnished by KUB without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the Water Bonds on which we have bid by the close of business on the day following the competitive public sale. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Water Bonds on which we have bid.

Very truly yours,

ACCEPTED this 20<sup>th</sup> day of August, 2014,  
 by the Knoxville Utilities Board.

\_\_\_\_\_  
 Mintha Roach, President & CEO

\_\_\_\_\_  
 Mark Walker, Senior Vice President & CFO

\_\_\_\_\_  
 (Name)  
 \_\_\_\_\_  
 (Firm)  
 \_\_\_\_\_  
 (Mailing Address)  
 \_\_\_\_\_  
 ( )

Total interest cost from date of bonds to maturity.....	\$ _____
Less premium bid, if any, or plus discount, if any.....	\$ _____
Net Interest Cost .....	\$ _____
True Interest Rate .....	_____ % (four decimals)

*The above computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.*

\*Subject to change.

**BID FORM – WASTEWATER BONDS**

Ms. Mintha Roach, President & CEO  
 Knoxville Utilities Board  
 445 Gay Street  
 Knoxville, Tennessee 37902

August 20, 2014

Dear Ms. Roach:

For your legally issued, properly executed the \$30,000,000\* Wastewater System Revenue Bonds, Series 2014A (“Wastewater Bonds” or “Series 2014A Bonds”) of the City of Knoxville, Tennessee, in all respects as more fully outlined in your Notices of Sale, which by reference are made a part hereof, we will pay you a sum of \_\_\_\_\_ (\$\_\_\_\_\_).

The Bonds shall be dated the date of issuance (assume September 18, 2014) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on April 1 and bear interest at the following rates:

<u>Maturity</u> <u>(April 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(April 1)</u>	<u>Amount*</u>	<u>Rate</u>	<u>Maturity</u> <u>(April 1)</u>	<u>Amount*</u>	<u>Rate</u>
2015	\$ 375,000	_____	2027	\$ 700,000	_____	2039	\$ 500,000	_____
2016	425,000	_____	2028	725,000	_____	2040	500,000	_____
2017	450,000	_____	2029	750,000	_____	2041	1,175,000	_____
2018	475,000	_____	2030	775,000	_____	2042	1,225,000	_____
2019	475,000	_____	2031	825,000	_____	2043	1,300,000	_____
2020	500,000	_____	2032	850,000	_____	2044	1,350,000	_____
2021	525,000	_____	2033	900,000	_____	2045	1,400,000	_____
2022	550,000	_____	2034	925,000	_____	2046	1,475,000	_____
2023	575,000	_____	2035	975,000	_____	2047	1,550,000	_____
2024	600,000	_____	2036	1,025,000	_____	2048	1,600,000	_____
2025	625,000	_____	2037	1,075,000	_____	2049	1,675,000	_____
2026	650,000	_____	2038	500,000	_____			

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

- Term Bond 1 includes the following maturities: From April 1, 20\_\_ to April 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 2 includes the following maturities: From April 1, 20\_\_ to April 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 3 includes the following maturities: From April 1, 20\_\_ to April 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 4 includes the following maturities: From April 1, 20\_\_ to April 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 5 includes the following maturities: From April 1, 20\_\_ to April 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 6 includes the following maturities: From April 1, 20\_\_ to April 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 7 includes the following maturities: From April 1, 20\_\_ to April 1, 20\_\_; at the rate of \_\_\_\_%.
- Term Bond 8 includes the following maturities: From April 1, 20\_\_ to April 1, 20\_\_; at the rate of \_\_\_\_%.

It is our understanding that the Bonds are offered for sale subject to the final approving opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, as Bond Counsel, whose opinion together with the executed Wastewater Bonds will be furnished by KUB without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the Wastewater Bonds on which we have bid by the close of business on the day following the competitive public sale. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Wastewater Bonds on which we have bid.

ACCEPTED this 20<sup>th</sup> day of August, 2014,  
 by the Knoxville Utilities Board.

Very truly yours,

\_\_\_\_\_  
 Mintha Roach, President & CEO

\_\_\_\_\_  
 (Name)  
 \_\_\_\_\_  
 (Firm)  
 \_\_\_\_\_  
 (Mailing Address)  
 (\_\_\_\_\_) \_\_\_\_\_

\_\_\_\_\_  
 Mark Walker, Senior Vice President & CFO

Total interest cost from date of bonds to maturity.....	\$ _____
Less premium bid, if any, or plus discount, if any.....	\$ _____
Net Interest Cost.....	\$ _____
True Interest Rate.....	_____ % (four decimals)

*The above computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.*

\*Subject to change.