



TENNESSEE LOCAL DEVELOPMENT AUTHORITY
JUNE 23, 2025
AGENDA

- 1) Call meeting to order, establish that there is a physical quorum, and receive public comments on actionable items in accordance with Tenn. Code Ann. § 8-44-112 and Board guidelines
- 2) Approval of minutes from the May 19, 2025, meeting
- 3) Consideration and approval of the following State Revolving Fund Clean Water loans:

	SRF Base Loan	Principal Forgiveness	Total Request	Interest Rate	Term
Brownsville Energy Authority, CWB23 2025-495	\$12,000,300.00	\$ 4,999,700.00	\$ 17,000,000.00	1.32%	20
Parsons, CWB22 2025-490	\$ 803,417.50	\$ 803,417.50	\$ 1,606,835.00	1.32%	20

- 4) Consideration and approval of requests from the Ocoee Utility District:
 - a) A request to issue USDA Water and Wastewater Revenue Bond Anticipation Notes (the “Series 2025 BANS”) in an amount not to exceed \$37,500,000 on parity with its SRF loans
 - b) A request to issue USDA Water and Wastewater Revenue Bonds in an amount not to exceed \$37,500,000 (the “USDA Bonds”) on parity with its SRF loans
 - c) A request to issue Water and Wastewater Revenue Improvement Bonds (the “Series 2025 Bonds”) in an amount not to exceed \$25,000,000 on parity with its SRF loans
 - d) A request for TLDA approval of a waiver of the enforcement of a provision in the *TLDA SRF Policy and Guidance for Borrowers* and the loan agreement that prohibits the issuance of additional indebtedness for entities who have not submitted their audits timely
- 5) Consideration and approval of the Tennessee Local Development Authority’s Debt Management Policy
- 6) Report on the notification from the City of Portland submitted to comply with *TLDA SRF Policy and Guidance from Borrowers*
- 7) Adjourn

TENNESSEE LOCAL DEVELOPMENT AUTHORITY
May 19, 2025

The Tennessee Local Development Authority (TLDA) met on Monday, May 19, 2025, at 8:40 a.m., CT, in the Volunteer Conference Center, 2nd Floor, Cordell Hull Building, Nashville, Tennessee. Secretary of State Tre Hargett was present and presided over the meeting.

The following members were also present:

The Honorable Jason E. Mumpower, Comptroller of the Treasury
The Honorable David H. Lillard, Jr., State Treasurer
Commissioner Jim Bryson, Department of Finance and Administration

The following members participated electronically as authorized by Tennessee Code Annotated § 8-44-108:

Mayor Rollen “Buddy” Bradshaw, Senate Appointee
Mayor Paige Brown, House Appointee

The following member was absent:

The Honorable Bill Lee, Governor

Recognizing a physical quorum present, Secretary Hargett called the meeting to order. Secretary Hargett, in accordance with Tenn. Code Ann. § 8-44-112 and Board guidelines, asked Ms. Sandra Thompson, TLDA Assistant Secretary and the Director of State Government Finance (SGF) if any requests for public comment had been received. Ms. Thompson responded that no requests for public comment had been received.

Secretary Hargett stated that the first item of business was approval of the minutes from the April 10, 2025, TLDA meeting. Comptroller Mumpower moved approval of the minutes, and Commissioner Bryson seconded the motion. Secretary Hargett asked if there was any discussion. Hearing none, he called for a vote. The minutes were unanimously approved.

Secretary Hargett stated that the next item on the agenda was the consideration and approval of a Clean Water State Revolving Fund (CWSRF) loan. Secretary Hargett recognized Ms. Vena Jones, Program Manager at the Tennessee Department of Environment and Conservation (TDEC), to present the CWSRF unobligated balances and one loan request. Ms. Jones presented the Report on Funds Available for Loan Obligation for the CWSRF Loan Program. She reported that, as of the last TLDA meeting of February 13, 2025, that balances had been presented, the Unobligated Fund balance was \$245,425,261. Since that time, the unobligated balance had increased by \$132,981 with the return of unused loan funding for a project from the Cleveland Utilities Authority. Upon approval of the \$231,000 loan request to be considered by the Authority, the remaining funds available for loan obligations in the standard CWSRF would be \$245,327,242. Additionally, Ms. Jones reported that as of May 19, 2025, \$1,358,000 in additional funding from the Infrastructure Investment and Jobs Act for federal fiscal year 2022 had been allocated to the Emerging Contaminant fund. Secretary Hargett asked if there were any questions on the report, and there were none. Ms. Jones then presented the CWSRF loan request.

- **Plateau UD (CW21 2025-498)** Requesting \$231,000 (\$115,500 (50%) loan, \$115,500 (50%) principal forgiveness), for a planning and design loan for wastewater treatment plant (WWTP) improvements/advanced treatment: improvements to the WWTP includes replacing the mechanical bar screen and grit chamber; construction of a new chlorination/dichlorination building; installation of a tertiary filter pump; relocation of the lab building; and electrical components; recommended interest rate of 1.13% based on the Ability to Pay Index; Priority ranking 11 of 57 (2023); Term: 5 years

Secretary Hargett made a motion to approve the loan request. Comptroller Mumpower seconded the motion. Secretary Hargett asked if there was any discussion. Hearing none, he called for a vote. The loan was unanimously approved.

Secretary Hargett noted that this concluded the business requiring action by the Authority and Comptroller Mumpower departed to attend another meeting.

Secretary Hargett stated that the next item on the agenda was notification respective to the borrowers affected by Hurricane Helene that had accepted the offered loan forbearance. Secretary Hargett recognized Ms. Jones to present the item. Ms. Jones reported that three SRF borrowers - the Erwin Utilities Authority (Erwin), the Town of Parrottsville (Parrottsville), and the Town of White Pine (White Pine)- had signed the Forbearance Agreement previously approved by the TLDA. She noted that Erwin opted for forbearance on eight SRF loans, Parrottsville asked that two SRF loans be included in the forbearance, and White Pine had not yet started its projects but had requested forbearance on two SRF loans. Ms. Jones also mentioned that TDEC had scheduled a webinar for the utilities in the area impacted by Hurricane Helene to discuss its anticipated \$55,000,000 SRF Helene Emergency Response Capitalization Grants that TDEC plans to apply for in July. Secretary Hargett asked Ms. Jones to email the invitation for the webinar to the TLDA staff. Ms. Jones responded affirmatively, noting that the initial meeting that was scheduled was an informational meeting. She stated that she would send that meeting invite along with any subsequent TDEC webinars regarding the grant as soon as they were scheduled. Secretary Hargett asked if there were any questions for Ms. Jones.

Hearing no questions, Secretary Hargett stated that the next item of business was the report on the notification from the Town of Brighton submitted to comply with the *Tennessee Local Development Authority State Revolving Fund Policy & Guidance for Borrowers (the "Policy & Guidance")*. Secretary Hargett recognized Ms. Thompson to present the report. Ms. Thompson explained that pursuant to the *Policy and Guidance*, Brighton was required to notify the TLDA of its intent to incur debt. She reported that Brighton planned to issue a Water and Sewer System Revenue and Tax Capital Outlay Note, Series 2025 in an amount not to exceed \$428,000. She stated that the notes would be issued with a lien position subordinate to its outstanding SRF loans. Secretary Hargett asked if there were any questions. Hearing none, he stated that the Authority would consider itself duly notified.

Hearing no further business, Secretary Hargett asked for a motion to adjourn the meeting. Treasurer Lillard motioned to adjourn the meeting, and Commissioner Bryson seconded the motion. Secretary Hargett asked if there was any discussion. Hearing none, Secretary Hargett called for a vote. All members responded in the affirmative.

The meeting was adjourned.

Approved on this ____ day of _____, 2025.

Respectfully submitted,

Sandra Thompson
Assistant Secretary

DEPARTMENT OF ENVIRONMENT AND CONSERVATION
DIVISION OF WATER RESOURCES

Clean Water State Revolving Fund (CWSRF) Loan Program
Funds Available for Loan Obligation
June 23, 2025

Unobligated Balance as of May 19, 2025 TLDA Meeting \$ 245,327,242

Increases:

<u>Loan Number</u>	<u>Amount</u>
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\$ -

Unobligated Fund Balance as of June 23, 2025

\$ 245,327,242

Decreases:

<u>Loan Number</u>	<u>Amount</u>
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Brownsville Energy Authority
*Principal Amount \$12,000,300
*Principal Forgiveness \$4,999,700

CWB23 2025-495	\$ 17,000,000
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City of Parsons
*Principal Amount \$803,417.50
* Principal Forgiveness \$803,417.50

CWB22 2025-490	\$ 1,606,835
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\$ (18,606,835)

Remaining Unobligated Funds as of June 23, 2025

\$ 226,720,407

Clean Water State Revolving Fund (CWSRF) Non-Revolving Funds
Funds Available for Loan Obligation
June 23, 2025

Unobligated Emerging Contaminants Balance as of May 19 2025 TLDA Meeting \$ 1,358,000

Increases:

<u>Loan Number</u>	<u>Amount</u>
	\$ -

\$ -

Unobligated Fund Balance as of June 23, 2025

\$ 1,358,000

Decreases:

<u>Loan Number</u>	<u>Loan Amount</u>
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\$ -

Remaining Funds Available for Loan Obligations as of June 23, 2025

\$ 1,358,000

FACT SHEET

June 23, 2025

Borrower: Brownsville Energy Authority
Project Number: CWB23 2025-495
Requested SRF Funding: \$17,000,000
Term: 20 years
ATPI 0
Rate: 3.29% X 40 (Tier 1) = 1.32%
Companion Loan: N/A

Project:

New Wastewater Treatment Plant: Construction of a new 2.0 million gallon per day sequencing batch reactor to replace the existing Trickling Filter Plant.

Total Project Cost:	\$17,000,000
Project Funding:	
SRF Loan Principal (70.59%)	\$12,000,300
Principal Forgiveness (29.41%)	\$ 4,999,700
Local Funds	\$ -0-
County:	Haywood County
Consulting Engineer:	J. R. Wauford & Company, Consulting Engineers, Inc.
Priority Ranking List:	2023
Priority Ranking:	39 of 57 ¹
Public Meeting:	09/25/2024

Financial Information:

Operating Revenues:	\$4,193,800
Current Rate:	\$28.85
Financial Review Rate:	\$28.85
Effective Date of Rate Change, if applicable:	\$33.18 (effective: April 01, 2025) ²
	\$38.15 (effective: April 01, 2026)
	\$45.78 (effective: April 01, 2027)
	\$54.94 (effective: April 01, 2028)
Residential User Charge:	5,000 gal/month

¹ The project ranked #39 of 57 on the 2023 Priority Ranking List.

² BEA conducted a comprehensive study on water and wastewater rates, projecting capital projects for the next five years. This rate study provides forecasts for a five-year capital improvement plan. Based on the findings of the study, BEA approved a rate increase during their board meeting on March 5, 2024, prior to the SRF financial review for this project.

FACT SHEET

June 23, 2025

Customer Base:	4,877
Audit Report Filed:	10/30/2024 (Timely)
Approved Annual Budget	Yes

Additional Revenue Recommendation:	No
Initial Financial Sufficiency Review:	08/21/2024
Updated Financial Sufficiency Review:	03/03/2025

The financial sufficiency review indicates that revenues and rates are sufficient to repay its SRF loan(s).

Additional Security

A security deposit equal to one year's maximum annual debt service is required to be deposited with the TLDA before any funds are disbursed to the borrower. The anticipated required security deposit for this loan is \$683,028.

**REPRESENTATION OF
LOANS AND SECURITY DEPOSIT
BROWNSVILLE ENERGY AUTHORITY
CWB23 2025-495**

As security for payments due under a State Revolving Fund (SRF) Loan Agreement, a local government pledges user fees and charges and further pledges such other additional available sources of revenues as are necessary to meet its obligations under a SRF Loan Agreement. Prior to the first disbursement on a loan, a local government is required to deposit with the TLDA an amount of funds equal to the maximum annual debt service (MADS) as additional security for such loan.

- a. Prior SRF loans which have been funded or approved for which the Local Government has pledged its revenues are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Sewer	SRF 2021-452	\$225,000	\$0	\$45,072
SRF/Sewer	CWB22 2024-462	\$890,000	\$890,000	\$50,556

*If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined.

The total required security deposit(s) for previously approved SRF loan(s) is \$95,628.

- b. The local government is applying for the following SRF loan(s):

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	CWB23 2025-495	1.32%	\$12,000,300	\$4,999,700	\$683,028

The total anticipated security deposit(s) for the proposed loan(s) is \$683,028.

- c. The total MADS (a+b) is \$778,656.

The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 5th day of March, 2025.

This is the Comptroller's certificate as required by TCA 4-31-108.

LOCAL GOVERNMENT

BY: _____


Russ Stoots, General Manager

REQUIREMENT FOR REPORT ON DEBT OBLIGATION
(FORM CT-0253)
BROWNSVILLE ENERGY AUTHORITY
CWB23 2025-495

Pursuant to Tenn. Code Ann. § 9-21-134, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-134 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that it may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

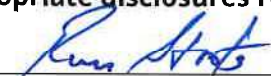
Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, Brownsville Energy Authority, attests that it is in compliance with Tenn. Code Ann. § 9-21-134 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related to this rule.



Russ Stoots, General Manager

03/05/2025

Date

This is the Comptroller's certificate as required by TCA 4-31-108.

FACT SHEET

June 23, 2025

Borrower: City of Parsons
Project Number: CWB22 2025-490
Requested SRF Funding: \$1,606,835
Term: 20 years
ATPI 20
Rate: 3.29% X 40 (Tier 1) = 1.32%
Companion Loan: N/A

Project:

Collection System Relocation: Installation of approximately 1,500 linear feet of 12-inch diameter interceptor sewer, two manholes, and a lift station from W 4th St to Gum Avenue and connecting to an existing force main at Coley Avenue.

Total Project Cost:	\$ 1,606,835
Project Funding:	
SRF Loan Principal (50.00%)	\$ 803,417.50
Principal Forgiveness (50.00%)	\$ 803,417.50
Local Funds	\$ -0-
Other Funds	\$ -0-

County:	Decatur County
Consulting Engineer:	TLM Associates
Priority Ranking List:	2022
Priority Ranking:	26 of 104 ¹
Public Meeting:	09/09/2024

Financial Information:

Operating Revenues:	\$1,633,653
Current Rate:	\$ 30.51
Financial Review Rate:	\$ 30.51
Effective Rates, if applicable:	N/A
Residential User Charge:	5,000 gal/month
Customer Base:	2,000
Audit Report Filed:	12/02/2024 (Timely)
Approved Annual Budget:	Yes
Additional Revenue Recommended:	No
Financial Sufficiency Review:	06/25/2024

¹ The project ranked #26 of 104 on the 2022 Priority Ranking List.

FACT SHEET

June 23, 2025

Updated Financial Sufficiency Review: 01/14/2025

The financial sufficiency review indicates that revenues and rates proposed are sufficient to repay the SRF loan(s).

Additional Security

The borrower pledges its unobligated state-shared taxes (SSTs) in an amount equal to the maximum annual debt service (MADS) requirements under the loan agreement.

The SSTs received by the borrower from the state in the prior fiscal year: \$338,486

MADS:	Prior Obligations:	\$ 144,336
	Proposed loan(s):	
	CWB22 2025-490	<u>\$ 45,728</u>
	Totals	<u>\$ 190,064</u>

MADS as a percentage of SSTs:	56.15%
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**REPRESENTATION OF
LOANS AND STATE-SHARED TAXES
CITY OF PARSONS
CWB22 2025-490**

As security for payments due under a State Revolving Fund (SRF) Loan Agreement, a local government pledges user fees, charges, and ad valorem taxes as necessary to meet its obligations under a SRF Loan Agreement. As an additional security for such payments due, a local government pledges and assigns its unobligated state-shared taxes (SSTs) in an amount equal to maximum annual debt service (MADS) requirements.

1. State-Shared Taxes

The total amount of SSTs, as identified pursuant to Tenn. Code Ann. § 4-31-105(c)(2), received by the local government in the prior fiscal year of the State is \$338,486.

2. Prior Obligations

(a.) Prior SRF loans which have been funded or approved for which the Local Government has pledged its SSTs are as follows:

Loan Type	Loan #	Base Loan*	Principal Forgiveness*	MADS**
SRF/Water	DG6-2017-185	\$800,000	\$200,000	\$43,920
SRF/Water	DWF 2017-191	\$1,250,000	\$0	\$68,580
SRF/Water	DWF 2018-204	\$587,000	\$0	\$31,836

* If applicable, the original approved amount is adjusted for decreases and approved increases

**MADS is an estimate until final expenses have been determined

The total MADS from section 2(a.) having a lien on SSTs is \$144,336.

(b.) Other prior obligations which have been funded or approved for which the local government has pledged its SSTs are as follows: N/A

Type of Obligation	Identifying #	Loan Amount	Principal Forgiveness	MADS
QZAB/QSCB				
TLDA/Public Health				
TLDA/Transportation				

The total MADS from section 2(b.) having a lien on SSTs is \$0.

(c.) The total MADS from prior obligations having a lien on SSTs [subsections 2(a)+2(b)] is \$144,336.

3. Loan Requests

The loan(s) which have been applied for and for which state-shared taxes will be pledged:

Loan Type	Loan #	Anticipated Interest Rate	Base Loan	Principal Forgiveness	Anticipated MADS
SRF/Sewer	CWB22 2025-490	1.32%	\$803,417.50	\$803,417.50	\$45,728

The anticipated total maximum annual pledge of state-shared taxes pursuant to loan request(s) is \$45,728.

4. Unobligated SSTs

The amount set forth in section (1) less the total amounts set forth in sections 2 and 3 is \$148,422.

The Local government hereby represents the information presented above is accurate and understands that funding for the loan request(s) presented is contingent upon approval by the TLDA.

Duly signed by an authorized representative of the Local Government on this 4th day of March, 2025.

LOCAL GOVERNMENT

BY:



Tim Boaz, Mayor

This is the Comptroller's certificate as required by TCA 4-31-108.

REQUIREMENT FOR REPORT ON DEBT OBLIGATION

(FORM CT-0253)
CITY OF PARSONS
CWB22 2025-490

Pursuant to Tenn. Code Ann. § 9-21-134, a Report on Debt Obligation (the "Report") must be prepared for all debt obligations issued or entered into by any public entity and filed with its governing body with a copy sent to the Office of State and Local Finance/Comptroller of the Treasury for the State of Tennessee. The purpose of the Report is to provide clear and concise information to members of the governing or legislative body that authorized and is responsible for the debt issued.

Public entities that fail to comply with the requirements of Tenn. Code Ann. § 9-21-134 are not permitted to enter into any further debt obligations until they have complied with the law. A State Revolving Fund (SRF) loan program applicant that is not in compliance with this law should file the Report as soon as possible and provide notification of filing to the SRF loan program so that it may proceed with the loan application. Instructions on how to file the Report are located in the "Debt" category for "Local Finance" on the website of the Tennessee Comptroller of the Treasury.

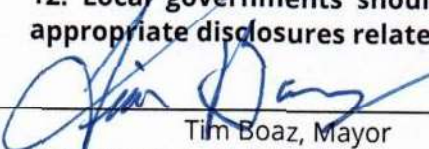
Municipal Securities Rulemaking Board (MSRB) – Required Disclosure

Local governments that issue municipal securities on or after February 27, 2019, should be aware that the Securities and Exchange Commission (SEC) adopted amendments to Rule 15c2-12 of the Securities Exchange Act that require reporting on material financial obligations that could impact an issuer's financial condition or security holder's rights. The amendments add two events to the list of events that must be included in any continuing disclosure agreement that is entered into after the compliance date:

- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

To learn how to report these new disclosures please refer to the MSRB's Electronic Municipal Market Access EMMA® website (emma.msrb.org).

The applicant, City of Parsons, attests that it is in compliance with Tenn. Code Ann. § 9-21-134 for its debt obligations and understands that the Report is required to be filed once the SRF loan has been approved by the Tennessee Local Development Authority and the agreement has been executed by the borrower. The applicant further acknowledges that it may be responsible to perform continuing disclosure undertakings related to SEC Rule 15c2-12. Local governments should always consult bond counsel in order to obtain advice on appropriate disclosures related to this rule.


Tim Boaz, Mayor

March 3, 2025

Date

This is the Comptroller's certificate as required by TCA 4-31-108.



JASON E. MUMPOWER
Comptroller

June 23, 2025

**Ocoee Utility District
Approval to Issue Debt and Modification of Lien Position**

The Ocoee Utility District (the “District”) has submitted the following requests to the Tennessee Local Development Authority (the “TLDA”) for consideration and approval. The TLDA’s approval for the District to issue additional debt and modify lien position is required by provisions set forth in the State Revolving Fund (SRF) loan agreement and guidelines set forth in the *TLDA/SRF Policy and Guidance for Borrowers*.

- A request to issue USDA Water and Wastewater Revenue Bond Anticipation Notes (the “Series 2025 BAN”) in an amount not to exceed \$37,500,000 on parity with its SRF loans;
- A request to issue USDA Water and Wastewater Revenue Bonds in an amount not to exceed \$37,500,000 (the “USDA Bonds”) on parity with its SRF loans;
- A request to issue Water and Wastewater Revenue Improvement Bonds (the “Series 2025 Bonds”) in an amount not to exceed \$25,000,000 on parity with its SRF loans; and
- A request for TLDA approval of a waiver of the enforcement of a provision in the *TLDA SRF Policy and Guidance for Borrowers* and the loan agreement that prohibits the issuance of additional indebtedness for entities who have not submitted their audits timely.

1. The requestor is a:

 X Utility District, Energy Authority, or Water/Wastewater Authority

Will the proposed debt be secured by revenues other than revenues of the water/wastewater system (e.g. electric, gas)? Yes X No

 Municipality (town/city/county)

 General Obligation Debt

 Revenue Debt – Will the proposed debt be secured by revenues other than revenues of the water/wastewater system (e.g. electric, gas)? Yes X No

2. Lien Position:

 X The borrower is requesting that the proposed debt be issued on parity with its outstanding SRF loans.

___ The borrower is requesting to subordinate its outstanding SRF debt to the proposed debt issuance.

___ The borrower is not requesting a modification of lien position, and the proposed debt will be issued subordinate to the existing SRF debt.

3. The purpose of the proposed debt issuance is:

___ Refunding

X New Money

4. Additional Information:

Purpose for Issuing the Proposed Series 2025 BAN and the USDA Bonds:

The Series 2025 BAN will provide interim financing for the USDA Bonds—collectively referred to as the “USDA Loan”. The proceeds from the Series 2025 BAN will be utilized to fund the design, permitting, construction, capitalized interest, and other administrative, engineering, fiscal, legal, and related costs necessary for comprehensive improvements to the District’s water system. According to the District’s request letter, this critical project includes the development of a new water treatment plant and associated water lines, all of which are essential to ensuring a safe, reliable, and self-sustaining water supply for the community. It is important to note the proceeds of the USDA Bonds will repay the Series 2025 BAN approximately 24 months following their issuance date and that both obligations of indebtedness will not be outstanding at any time concurrently. The 2025 BANS are anticipated to be funded on or about October 1, 2025. The District noted that the USDA Bonds will bear interest at a rate of 2.75% which is lower than rates from other sources of funding, and assistance provided by USDA will also include grant funding of approximately \$5 million dollars.

The financed project shall include, but not be limited to, the following:

- The Ball Road Water Treatment Plant (WTP) will have a design capacity of 2.0 million gallons per day (MGD) and be located on the 147-acre "Ball Road Site" owned by the District on Ball Road. Specific and general processes include, but are not limited to, sedimentation basin, filter building with laboratory amenities, ground storage clearwell reservoirs, high service pumps, disinfection feed system, and solids disposal process.
- The Wildwood Well Site, a 7-acre tract owned by the District on Trewhitt Road, will provide raw water to the proposed 2.0 MGD WTP. Specific and general processes include, but are not limited to, upgraded well source pump, booster station, and piping.
- The raw water main will transfer well water from the well site to the Ball Road WTP for treatment. Further, potable water from the WTP will be distributed to two pressure zones on different pipelines. The water mains (raw and potable) will have a minimum design capacity of 2.0 MGD and be generally located along road ROW within easement.

The District stated that the proceeds will be used to fund the repair of aging infrastructure and reduce the reliance on costly wholesale water purchases from surrounding providers resulting in long-term operational cost savings. Furthermore, the construction of a new facility will provide additional capacity and operational flexibility, allowing the District to complete necessary pipe repairs and transition to minimal water loss.

Purpose for Issuing the Proposed Series 2025 Bonds:

In addition to the USDA Loan, the District is requesting approval to issue Water and Wastewater Revenue Improvement Bonds (the “Series 2025 Bonds”) in an amount not to exceed \$25,000,000 with a lien position that is on parity with the lien position of its SRF loans.

The District is seeking strategic capital investments in both water and wastewater infrastructure, encompassing water treatment and distribution as well as wastewater treatment and collection systems. Summary of projects:

<u>Project</u>	<u>Estimated Cost</u>
Old Parksville Wastewater Treatment Plant (WWTP)	\$4,000,000
Wastewater Collection System Expansion	\$3,000,000
PFAS/PFOA Treatment Implementation	\$5,000,000
Water Reuse (Potable/Non-Potable) Development	\$5,000,000
Carpenter Spring WTP High-Service Pump Upgrade	\$1,000,000
Centralized Electrical Upgrades (Campus-Wide)	\$2,000,000
HDPE Pipe Replacement with Ductile Iron Pipe (DIP)	<u>\$5,000,000</u>
Total Estimated Project	<u>\$25,000,000</u>

The District states that the need for bond funding is critical for several reasons:

1. Replacement of Aging Infrastructure - The existing Brighton Ridge facility (2010) has limited capacity and was not designed for long-term regional wastewater management.
2. Increased Treatment Capacity - The District is in the process of designing and constructing a new Wastewater Treatment Plant (WWTP)¹ to replace and consolidate its existing decentralized treatment facilities. The proposed WWTP will expand treatment capacity to 100,000 GPD, ensuring that the District can support current and future development, including a proposed 500-single family home community, Church and several other smaller residential developments.
3. Sustainable Growth and Development - By constructing a centralized, modern WWTP, the District can support residential expansion while avoiding costly future upgrades or emergency infrastructure failures. Consolidating wastewater treatment into a single, modernized facility will reduce maintenance costs and improve efficiency compared to the operation of multiple smaller facilities.

A portion of the proceeds of the Series 2025 Bonds will be utilized to provide matching funding for an American Rescue Plan Act (ARPA) grant which is required to be funded on or about August 1, 2025, and the timeline for the closing of the Series 2025 Bonds is scheduled to meet the ARPA grant requirements.

¹ This project is associated with TDEC’s State Water Infrastructure (SWIG) grant/match program.

Security for Proposed Financings:

The proposed debt will be payable from and secured by a pledge of the net revenues of the system on parity with the District's currently outstanding parity indebtedness². The District indicated that it intends to issue future parity debt, and understands as evidenced in its letter, that under applicable State guidelines that all future debt of the District must first be approved by the TLDA. The District believes that the TLDA's approval is in the public interest insofar as it will preserve the District's ability to issue future debt on a parity lien basis minimizing costs to system ratepayers.

The debt rating of the borrower is:

Please indicate N/R if not rated.

 N/R Moody's

 A+/Negative Standard and Poor's

 N/R Fitch

In August 2024, S&P Global Ratings revised its rating of the District's underlying rating from A+/Stable to A+/Negative. A copy of the 2024 S&P Ratings Report and Rationale has been provided.

5. The following SRF loans are currently authorized/outstanding:

Borrower	Ocoee Utility District						
Date	5/19/2025						
Loan Type	Loan #	Status	Disbursements	Available to Draw	% Principal Forgiveness	Edison Balance @5/19/2025	MADS*
Water	DW6 19-210	Repayment	\$ 1,000,000	-	20%	\$ 624,627	\$ 46,236
Water	DWF 19-211	Repayment	1,799,300	-	0%	1,541,822	103,991
Water	DWF 21-242	Repayment	1,000,000	-	0%	942,950	54,973
			<u>\$ 3,799,300</u>	<u>-</u>		<u>\$ 3,109,399</u>	<u>\$ 205,200</u>
*MADS is an estimate until final expenses have been determined							
*Before funds are disbursed on a loan, a security deposit equal to MADS is required to be deposited with the TLDA							

6. Compliance with SRF Loan Agreement:**a. Timely repayments [4.(a)]**

 X Yes No

b. Security Deposit (UDs and Authorities) [8.]

 X Yes No

Amount on deposit: \$205,200

² The TLDA previously approved the District's Series 2022 Bonds to be issued on parity with its three outstanding SRF loans at its February 23, 2022, meeting.

c. State-Shared Taxes (Municipalities) [8.] N/A

\$ _____	SSTs received in prior fiscal year
\$ _____	Total MADs (with SST pledge)
\$ _____	Unobligated SSTs

d. GAAP Accounting and Audited Annual Financial Statement Requirement [7.(g) and (m)(2)]

The District did not timely file its audited financial statements with the Division of Local Government Audit through the fiscal year ended June 30, 2024, within six months after fiscal year end. Because the District did not timely file its required annual audit report, it is prohibited from issuing additional debt pursuant to the loan agreement and requests that the TLDA waive the enforcement of this requirement to allow the issuance of the debt.

The District's auditor stated that the FY23 audit was performed by a different audit firm and was filed late which delayed the new firm's start of the FY24 audit. The auditor stated that the FY25 audit report is expected to be filed on time.

e. Sufficient Revenues [7.(k)]

☒ Yes ☐ No

For the fiscal year ended June 30, 2024, the District's audited financial statements reflected operating income of \$1,176,808 and a positive change in net position of \$421,133. The statement of cash flows reflected debt service payments for FY24 of \$1,668,019.

The District reported \$2,412,159 in unrestricted cash and investments.

f. Debt Service Coverage Ratios [7.(l) and (m)(3) & (4)]

The current and projected Debt Service Coverage Ratio meets or exceeds 1.2 times.

☒ Yes ☐ No

If no, include a schedule of revised rates and fees. ☐ Included ☒ N/A

Most Recent Fiscal Year (m)(3):

The District's debt service coverage ratio was 1.4x for FY24 and is estimated to be 1.4x for fiscal year 2025 (calculated by the District in its submission). The District has met the debt service coverage requirement for fiscal year 2024.

Next Three Fiscal Years After Debt Issuance (m)(4):

The District projects debt service ratios ranging from 1.2x to 1.8x for fiscal years 2026-2028 after the debt is issued.

g. Is the entity currently under the jurisdiction of the Tennessee Board of Utility Regulation (TBOUR)?

[7.(n)]

☒ Yes ☐ No

If yes, reason for referral: ☐ Water Loss ☒ Financial Distress ☐ Administrative Review

If the reason is financial distress, include a schedule of revised rates and fees along with a copy of the corrective action order from the respective board. ☐ Included ☐ N/A

TBOUR Order

TBOUR ordered a rate study, and the District engaged Jackson Thornton Certified Public Accountants and Consultants to perform a cost of service rate study in 2024. The study determined that rate increases were warranted. The District adopted a Resolution (NO. 2025-001) to provide for adjustment and increase of water and sewer rates on 1-27-2025.

To fully comply with TBOUR's order, the District must also submit the following documents to TBOUR by December 31, 2025.

- A review of the capitalization policy, including any recommended modifications
- A review of the debt management policy, including any recommended modifications
- The creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs
- A review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications
- Verification that all governing body members of the utility are in compliance with all relevant training requirements
- A review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist

7. Has the entity adopted and filed a budget with the Comptroller's Office pursuant to Tenn. Code Ann. § 4-3-305?

☒ Yes ☐ No

8. For recently created systems, has TBOUR approved a petition for the incorporation of the system?

☐ Yes ☐ No ☒ N/A

9. Conclusion

Based on our analysis and the expectation that the District will comply with TBOUR's order, staff recommends that the TLDA waive the enforcement of the audit filing requirement and approve the issuance of the USDA Loan and Series 2025 Bonds on parity with the District's outstanding SRF Loans.

OCOEE UTILITY DISTRICT

May 22, 2025

Sandra W. Thompson, Director
Comptroller of the Treasury
Division of State Government Finance
Assistant Secretary to the TLDA
425 Fifth Avenue North
Nashville, Tennessee 37243-3400

VIA E-MAIL: sandi.thompson@cot.tn.gov

Dear Ms. Thompson:

Ocoee Utility District of Bradley and Polk Counties, Tennessee (the "District") requests that the Tennessee Local Development Authority ("TLDA") approve, at its June, regular meeting of its board of commissioners, or at a specially-called meeting prior thereto, issuance of not to exceed \$37,500,000 in Water and Wastewater Revenue Bond Anticipation Notes, Series 2025 (the "Series 2025 BANS") and not to exceed \$37,500,000 in Water and Wastewater Revenue Bonds evidencing USDA financing (the "USDA Bonds"), interim financing for the USDA Bonds being provided by the Series 2025 BANS (the Series 2025 BANS and the USDA Bonds being referred to herein collectively as (the "USDA Loan"); and not to exceed \$25,000,000 Water and Waster Revenue Improvement Bonds (the "Series 2025 Bonds"), all to be on parity of lien with the District's outstanding SRF Drinking Water Loans. The District's SRF Drinking Water Loans presently outstanding include the following:

Ocoee SRF Drinking Water Loans Outstanding

<u>Loan ID</u>	<u>Interest Rate</u>	<u>Balance (06/30/2024)</u>	<u>FY Final PMT</u>
2019-210	1.48%	\$658,309.00	2040
2019-211	1.48%	\$1,615,731.00	2042
2021-242	0.96%	<u>984,860.00</u>	<u>2044</u>

\$ 3,258,900.00

Ocoee Utility District of Bradley and Polk Counties, Tennessee – General Description:

The District is located approximately 30 miles northeast of the City of Chattanooga, 75 miles southwest of Knoxville, 135 miles southeast of Nashville and 96 miles north of Atlanta. The District is a public corporation under the laws of the State of Tennessee, chartered pursuant to decree of the County Judge of Bradley County, Tennessee, dated October 27, 1964. The District is exclusively authorized to provide water service within the boundaries of its service area, which encompasses approximately 181 square miles of eastern Bradley County and western Polk County. The District's boundaries extend from

the Hiwassee River on the north to the Georgia state line on the south and from the City of Cleveland on the west to the Cherokee National Forest on the east.

The District's water system serves approximately 80 percent of the households within its boundaries. Raw water is supplied by three wells and two springs within the District. The District also provides water service outside of its boundaries to approximately 75 customers in the Cherokee National Forest including the USDA Forest Service. The District's Carpenter Springs filtration and treatment facility processes approximately 40% of the water supplied to the distribution system. Its Wildwood Springs filtration and treatment facility processes approximately 45% of the water supplied to the District. The balance of the District's water supply needs are met by water purchases from neighboring utilities to which the system is connected.

Purpose for Issuing the Proposed Series 2025 BANS and the USDA Bonds:

The District seeks approval to issue the Series 2025 BANS and the USDA Bonds, which will provide funding for the following purposes:

The proceeds from the Series 2025 BANS will be utilized to fund the design, permitting, construction, capitalized interest, and other administrative, engineering, fiscal, legal, and related costs necessary for comprehensive improvements to the District's water system. This critical project includes the development of a new water treatment plant and associated water lines, all of which are essential to ensuring a safe, reliable, and self-sustaining water supply for the community.

The new water treatment plant will reduce the District's reliance on costly wholesale water purchases from surrounding providers, resulting in long-term operational cost savings that directly benefit ratepayers. By producing its own water at a lower cost, the District will improve financial sustainability and rate stability for its customers. The emergent nature of this request is defined by the need in the present for a new water treatment plant and the increased production capacity to accommodate the District's rapid population growth and heightened interest from subdivision developers. Without this new facility, the District risks being unable to meet the growing demand for water services, potentially stalling local development and economic growth.

Additionally, the District is actively working to repair ongoing pipe degradation issues that are causing water loss within the distribution system as a result of HDPE pipe which extends throughout a significant portion of the system. The construction of a new water treatment plant with additional capacity will provide operational flexibility, allowing the District to complete these pipe repairs and transition to minimal water loss. This proactive approach strengthens the resilience and efficiency of the distribution system, mitigating future water supply disruptions. Delay in funding would exacerbate reliance on external water providers, increase operating costs, and jeopardize the District's ability to support continued development. Immediate action is essential to protect public health, support economic growth, and ensure long-term operational efficiency for the benefit of the entire community.

The financed project shall include, but not be limited to, the following:

- a. The Ball Road Water Treatment Plant will have a design capacity of 2.0 MGD and be located on the 147-acre "Ball Road Site" owned by the District on Ball Road. Specific and general processes include, but are not limited to, sedimentation basin, filter building with laboratory amenities, ground storage clearwell reservoirs, high service pumps, disinfection feed system, and solids disposal process.
- b. The Wildwood Well Site, a 7-acre tract owned by the District on Trehwhitt Road, will provide raw water to the proposed 2.0 MGD WTP. Specific and general processes include, but are not limited to, upgraded well source pump, booster station, and piping.
- c. The raw water main will transfer well water from the well site to the Ball Road WTP for treatment. Further, potable water from the WTP will be distributed to two pressure zones on different pipelines. The water mains (raw and potable) will have a minimum design capacity of 2.0 MGD and be generally located along road ROW within easement. Approximate lengths of raw/potable transmission main are summarized below:

- i. Approximately 22,500 LF of 12-inch DIP Raw Water Transmission Main – Generally from Existing Wildwood Well Site to Ball Road WTP Site.
- ii. Approximately 14,000 LF of 8-inch DIP Potable Water Transmission Bates Zone – Generally along Spring Place Road from Ball Road WTP Site to intersection of Macedonia Church Road and Spring Place Road.
- iii. Approximately 23,500 LF 12-inch DIP Treated Potable Transmission Main New Hope Zone – Generally from Ball Road WTP Site along Million Road to existing New Hope Tank.

Purpose for Issuing the Proposed Series 2025 Bonds:

The District is seeking strategic capital investments in both water and wastewater infrastructure, encompassing water treatment and distribution as well as wastewater treatment and collection systems. The specific objectives and scope of these investments are outlined in the sections below.

Wastewater Treatment

The District is in the process of designing and constructing a new Wastewater Treatment Plant (WWTP), Old Parksville Road WWTP, to replace and consolidate its existing decentralized treatment facilities. This project is associated with the State Water Infrastructure (SWIG) grant/match program. The proposed WWTP is designed to handle a capacity of 100,000 gallons per day (GPD) and will incorporate lagoon-based and fixed-growth biological treatment processes to ensure efficient and environmentally compliant wastewater management. The treated effluent will meet strict environmental standards, ensuring safe and sustainable wastewater disposal.

The need for bond funding is critical for several reasons:

1. Replacement of Aging Infrastructure – The existing Brighton Ridge facility (2010) has limited capacity and was not designed for long-term regional wastewater management.
2. Increased Treatment Capacity – The proposed WWTP will expand treatment capacity to 100,000 GPD, ensuring that the District can support current and future development, including a proposed 500-single family home community, Church and several other smaller residential developments.
3. Sustainable Growth and Development – By constructing a centralized, modern WWTP, the District can support residential expansion while avoiding costly future upgrades or emergency infrastructure failures. Consolidating wastewater treatment into a single, modernized facility will reduce maintenance costs and improve efficiency compared to the operation of multiple smaller facilities.

Wastewater Collections

Upon full commissioning of the proposed Old Parksville Wastewater Treatment Plant (WWTP), the District plans to initiate a phased expansion of the existing sanitary sewer collection system. Currently, the majority of customers within the service area rely on private, on-site septic systems for wastewater treatment. In coordination with Bradley County and the Tennessee Department of Environment and Conservation (TDEC), the District aims to transition these properties to centralized sewer service to decommission aging, underperforming, and potentially failing septic systems. In addition to improving environmental and public health outcomes, the expansion of the collection system is anticipated to stimulate economic growth by enabling development of currently undeveloped or underutilized parcels adjacent to the proposed infrastructure. The build-out strategy will employ a hybrid infrastructure approach—utilizing gravity sewer lines, lift stations, low-pressure force mains, grinder pump stations, and septic tank effluent pump (STEP) or septic tank effluent gravity (STEG) systems as appropriate.

Drinking Water Treatment

The District is also pursuing drinking water treatment capabilities to meet anticipated regulatory requirements. A key component of this effort includes proactive compliance with emerging federal and state regulations pertaining to per- and polyfluoroalkyl substances (PFAS/PFOA). The District acknowledges the ongoing regulatory developments from the EPA and TDEC regarding PFAS/PFOA in public water systems. Preliminary sampling has identified the presence of PFAS/PFOS compounds in the Wildwood Well supply. In response, the District intends to evaluate available PFAS/PFOS treatment technologies and implement the most effective and feasible solution for long-term mitigation.

In parallel, the District is exploring the development of a potable or non-potable reuse treatment train at the Carpenter Spring Water Treatment Plant (WTP), utilizing treated effluent from the proposed Old Parksville WWTP. Both facilities are co-located on a 125-acre site, enabling shared infrastructure planning. Anticipating forthcoming guidance from TDEC on water reuse—expected within the next 12 to 18 months—the District sees significant value in adopting an innovative reuse strategy to enhance water supply resilience and provide supplemental treatment capacity to the wastewater system.

Additionally, the District has identified a long-standing need to expand high-service pumping capacity at the Carpenter Spring WTP. The aging, existing high-service pumps and integration of a new water source through potable reuse will require corresponding upgrades to the high-service pumps to accommodate increased treatment and distribution demands.

Finally, the existing electrical infrastructure at the Carpenter Spring WTP is insufficient to support long-term expansion needs across the shared campus. Planned capital improvements—including high-service pump upgrades, potential PFAS/PFOA treatment systems, a reuse treatment train, the Old Parksville WWTP, a lift station, and backup power generation—will necessitate an overhaul of the site's electrical system. Centralizing electrical infrastructure to serve these integrated facilities will improve operational efficiency, reliability, and maintainability across the campus.

Drinking Water Distribution

The District is actively addressing system-wide water loss attributed to ongoing degradation of high-density polyethylene (HDPE) pipe within the distribution network. A substantial portion of the system was constructed using HDPE, which has exhibited premature failure, leading to increased water loss and main breaks. To mitigate these issues, the District has initiated a replacement program, substituting deteriorated HDPE with Ductile Iron Pipe (DIP). DIP, which has a proven track record of reliability in water distribution systems dating back to the mid-20th century and earlier (in the form of cast iron), offers superior durability and longevity. This replacement initiative is expected to significantly reduce non-revenue water and enhance system reliability.

Series 2025 Bonds Budget

The District's previously discussed capital investments in water and wastewater infrastructure are summarized in the budget presented below.

<u>Project</u>	<u>Estimated Cost</u>
Old Parksville Wastewater Treatment Plant (WWTP)	\$4,000,000
Wastewater Collection System Expansion	\$3,000,000
PFAS/PFOA Treatment Implementation	\$5,000,000
Water Reuse (Potable/Non-Potable) Development	\$5,000,000
Carpenter Spring WTP High-Service Pump Upgrade	\$1,000,000
Centralized Electrical Upgrades (Campus-Wide)	\$2,000,000

<u>Project</u>	<u>Estimated Cost</u>
HDPE Pipe Replacement with Ductile Iron Pipe (DIP)	<u>\$5,000,000</u>
Total Estimated Project	<u>\$25,000,000</u>

Proposed Increase to Amount of SRF Loan 2021-242

The District intends to request an additional \$300,000 in funding for the Carpenter Spring WTP clearwell tank, due to unforeseen geotechnical conditions encountered during construction. Subsurface investigations revealed necessary rework of the proposed foundation system to ensure structural integrity and long-term performance. These modifications resulted in cost overruns beyond the scope of the original budget submitted to the State Revolving Fund (SRF). To address this funding gap, the District will seek a supplemental SRF loan agreement to incorporate the additional \$300,000. The District is not requesting approval of this additional SRF funding by this letter, but this additional SRF funding is included in the financial information submitted herewith as described below.

Security for Proposed Financings:

The proposed indebtedness described herein will be payable solely from and secured by a pledge of the net revenues of the District's water system. The punctual payment of principal of and premium, if any, and interest on such proposed indebtedness, the District's currently outstanding "parity" indebtedness, and any of the District's subsequently issued "parity" indebtedness, as applicable, shall be secured equally and ratably by the net revenues of the District's water system without priority by reason of series, number, or time of sale or delivery.

The District deems TLDA approval as necessary and advantageous to serve the public interest, preserve the ability to incur future debt on a parity lien basis, and minimize interest and other costs payable by System ratepayers. The District understands that under applicable State guidelines, all future debt of the District must be first approved by TLDA as long as SRF indebtedness remains outstanding.

Matters Related to Audit Filings:

The District understands that the SRF Loan Agreements listed herein prohibit issuance of additional indebtedness in the event of late filings of audited financial statements. The District's FY2024 audited financial statement was filed on January 30, 2025, 29 days after of the due date December 31, 2024. The District herewith requests TLDA approval of a waiver of Section 7(m)(2), or other associated Sections, of the Loan Agreements.

The District requested an explanation for the late filing of the FY2024 audit from Johnson, Murphy, & Wright, which began to audit the District commencing with the FY2024 audit. Please see attached hereto a letter from Mr. Paul Johnson which provides such explanation. The primary reason for the delay was the late filing of the District's FY2023 audit. The delay in receipt and filing of the District's FY2023 audit is a matter of which the Tennessee Office of the Comptroller of the Treasury is familiar and assisted the District to resolve.

Timeline Financial Transactions:

A portion of the proceeds of the Series 2025 Bonds will be utilized to provide matching funding for an American Rescue Plan Act (ARPA) grant which is required to be funded on or about August 1, 2025, and the timeline for the closing of the Series 2025 Bonds is scheduled to meet the ARPA grant requirements. The Series 2025 BANS are being issued to provide interim financing in connection with the USDA Bonds and are anticipated to be funded on or about October 1, 2025.

It is important to note the USDA Bonds will repay the Series 2025 BANS approximately 24 months following their issuance date and that both obligations of indebtedness will not be outstanding at any time concurrently. Additionally, it is important to note the USDA Bonds will have an interest rate of

2.75%, significantly below that which may currently be obtained from other sources of funding, and assistance provided by USDA will also include USDA grant funding anticipated to be in excess of \$5 million dollars. The preceding notes underscore the emergent nature of the funding requests for TLDA approval.

Rating:

In August 2024, S&P Global Ratings revised its rating of the District's underlying rating from A+/Stable to A+/Negative. A copy of the 2024 S&P Ratings Report and Rationale is attached to this correspondence.

Budget:

The Board of the Ocoee Utility District adopted the FY2025/2026 Budget of the District at its Regular Meeting on May 19, 2025. The District is now in the process of submitting this Budget to the Office of the Comptroller of Tennessee for acceptance and approval.

FINANCIAL INFORMATION:

Attached to this correspondence are the following financial schedules and information:

1. FY2020-FY2024 Historical Summary of Balance Sheet Changes (i.e. Assets and Liabilities + Net Position listed on successive pages)
2. FY2020-FY2024 Historical Summary of Income Statement Changes
3. FY2026-FY2065 Summary of Estimated Total Annual Debt Service Requirements of 2025 USDA Loan
4. FY2020-FY2029 Historical and Pro Forma Debt Service Coverage Ratio Analysis

Note: The Series 2025 BANS/USDA Loan (including associated required annual DSRF and STLA deposits) + Series 2025 Bonds + 2025 Additional Funding of SRF Loan 2021-242 are included in the Summary of Estimated Debt Service Requirements + Historical and Proforma Debt Service Coverage Ration Calculations and Analysis hereto as referenced by items 3 and 4 listed above in this section and set forth in the foregoing.

Also note that "Estimated USDA STLA Deposits" contained in item 3 listed above represent annual contributions that USDA requires the District to make into a reserve fund set aside for the repair and/or replacement of short-lived assets such as pumps, meters, and valves. These are separate from regular debt service payments.

Additional Information:

Also attached to this correspondence are the following additional items:

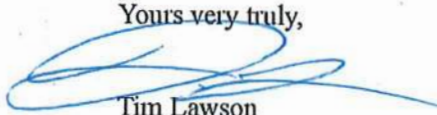
1. Copy of Resolution adopted January 27, 2025, providing for adjustment and increase in water and sewer rates.
2. Copy of Amended and Restated Initial Resolution adopted on May 19, 2025, authorizing the Series 2025 BANS and the USDA Bonds.
3. Copy of USDA Letter of Conditions dated June 17, 2024, as supplemented by letter dated July 19, 2024.
4. Copy of Initial Resolution adopted on May 19, 2025, authorizing the Series 2025 Bonds.

5. Copy of Bond Resolution adopted on May 19, 2025, authorizing the issuance and establishing the terms of the Series 2025 Bonds.
6. Initial draft of the Preliminary Official Statement for the Series 2025 Bonds.

We appreciate your attention to this matter and the assistance of the Office of the Comptroller of the Treasury of Tennessee. If you require additional information, or we can further assist your efforts, please contact me at (423) 559-8505; or Larry Kidwell – Kidwell & Company, Municipal Advisor for the District at (615) 714-4525.

With kindest regards, I am

Yours very truly,



Tim Lawson
General Manager

Enclosures

**THE OCOEE UTILITY DISTRICT OF
BRADLEY AND POLK COUNTIES, TENNESSEE
SUMMARY OF HISTORICAL AND PROFORMA DEBT SERVICE COVERAGE RATIOS
(FISCAL YEARS ENDED JUNE 30)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues	6,563,500	6,091,925	5,437,496	5,139,200	4,854,385
Operating Expenses	(4,295,419)	(4,425,537)	(3,772,431)	(3,122,348)	(3,123,602)
Interest Income	<u>141,146</u>	<u>117,842</u>	<u>10,675</u>	<u>6,515</u>	<u>26,785</u>
Revenues Available for Debt Service	<u>2,409,227</u>	<u>1,784,230</u>	<u>1,675,740</u>	<u>2,023,367</u>	<u>1,757,568</u>
Annual Debt Service	<u>1,718,239</u>	<u>1,674,865</u>	<u>1,256,000</u>	<u>1,245,364</u>	<u>1,245,364</u>
Debt Service Coverage Ratios	<u>1.4021</u>	<u>1.0653</u>	<u>1.3342</u>	<u>1.6247</u>	<u>1.4113</u>
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Operating Revenues	7,250,000	9,062,500	11,328,125	14,160,156	15,576,172
Operating Expenses	(4,381,327)	(4,600,394)	(4,830,413)	(5,071,934)	(5,325,531)
Interest Income	<u>142,557</u>	<u>149,685</u>	<u>157,170</u>	<u>165,028</u>	<u>173,279</u>
Revenues Available for Debt Service	<u>3,011,230</u>	<u>4,611,792</u>	<u>6,654,881</u>	<u>9,253,250</u>	<u>10,423,921</u>
Annual Debt Service	<u>2,151,563</u>	<u>3,771,873</u>	<u>3,776,787</u>	<u>5,668,915</u>	<u>5,663,258</u>
Debt Service Coverage Ratios	<u>1.3996</u>	<u>1.2227</u>	<u>1.7620</u>	<u>1.6323</u>	<u>1.8406</u>

Assumes Annual Rate Increases 2026-2028 25% | 2029-2031 10% | 2032-2045 5%. Assumes Annual Expense Increases 5% 2026-2045.

**THE OCOEE UTILITY DISTRICT OF
BRADLEY AND POLK COUNTIES, TENNESSEE
ESTIMATED DEBT SERVICE REQUIREMENTS
(FISCAL YEARS ENDED JUNE 30)**

Fiscal Year	2013 Debt Service	2015 Debt Service	2016 Debt Service	2019 SRF DW-2019-210	2019 SRF DW-2019-211	2022A Debt Service	2024 SRF DW-2021-242	Estimated 2024 SRF DW-2021-242-2	Estimated 2025 USDA	Estimated USDA DSRF Deposits	Estimated USDA STLA Deposits	Estimated 2025 Bonds	Total DS
2024	433,870	455,550	324,038	46,236	103,992	299,581	54,972						1,718,239
2025	431,685	457,155	322,038	46,236	103,992	604,931	54,972			130,554			2,151,563
2026	10,155	457,745	720,988	46,236	103,992	605,481	54,972	16,750		130,554		1,625,000	3,771,873
2027		457,914	735,638	46,236	103,992	605,731	54,972	16,750		130,554		1,625,000	3,776,787
2028		423,544	734,938	46,236	103,992	605,681	54,972	16,750	1,305,540	130,554	621,708	1,625,000	5,668,915
2029		424,088	729,088	46,236	103,992	605,331	54,972	16,750	1,305,540	130,554	621,708	1,625,000	5,663,258
2030		423,938	733,038	46,236	103,992	604,681	54,972	16,750	1,305,540	130,554	621,708	1,625,000	5,666,408
2031		423,438	731,025	46,236	103,992	604,888	54,972	16,750	1,305,540	130,554	621,708	1,625,000	5,664,102
2032		422,588	733,031	46,236	103,992	605,981	54,972	16,750	1,305,540	130,554	621,708	1,625,000	5,666,352
2033		426,300	729,013	46,236	103,992	605,619	54,972	16,750	1,305,540	130,554	621,708	1,625,000	5,665,683
2034		424,575	733,888	46,236	103,992	603,769	54,972	16,750	1,305,540	130,554	621,708	1,625,000	5,666,983
2035		422,500	732,538	46,236	103,992	601,619	54,972	16,750	1,305,540		621,708	1,625,000	5,530,854
2036		424,988	730,006	46,236	103,992	604,094	54,972	16,750	1,305,540		621,708	1,625,000	5,533,286
2037		426,950	727,063	46,236	103,992	606,119	54,972	16,750	1,305,540		621,708	1,625,000	5,534,329
2038		423,475	733,569	46,236	103,992	602,769	54,972	16,750	1,305,540		621,708	1,625,000	5,534,011
2039		425,069	733,575	46,236	103,992	604,044	54,972	16,750	1,305,540		621,708	1,625,000	5,536,886
2040		421,744	609,000	46,269	103,992	604,869	54,972	16,750	1,305,540		621,708	1,625,000	5,409,844
2041					103,992	605,244	54,972	16,750	1,305,540		621,708	1,625,000	4,333,206
2042					69,289	600,244	54,972	16,750	1,305,540		621,708	1,625,000	4,293,503
2043						604,794	54,972	16,750	1,305,540		621,708	1,625,000	4,228,764
2044						603,481	36,654	16,750	1,305,540		621,708	1,625,000	4,209,133
2045						601,372		16,750	1,305,540		621,708	1,625,000	4,170,370
2046						598,438			1,305,540		621,708	1,625,000	4,150,686
2047						599,588			1,305,540		621,708	1,625,000	4,151,836
2048									1,305,540		621,708	1,625,000	3,552,248
2049									1,305,540		621,708	1,625,000	3,552,248
2050									1,305,540		621,708	1,625,000	3,552,248
2051									1,305,540		621,708	1,625,000	3,552,248
2052									1,305,540		621,708	1,625,000	3,552,248
2053									1,305,540		621,708	1,625,000	3,552,248
2054									1,305,540		621,708	1,625,000	3,552,248
2055									1,305,540		621,708	1,625,000	3,552,248
2056									1,305,540		621,708		1,927,248
2057									1,305,540		621,708		1,927,248
2058									1,305,540		621,708		1,927,248
2059									1,305,540		621,708		1,927,248
2060									1,305,540		621,708		1,927,248
2061									1,305,540		621,708		1,927,248
2062									1,305,540		621,708		1,927,248
2063									1,305,540		621,708		1,927,248
2064									1,305,540		621,708		1,927,248
2065									1,305,540		621,708		1,927,248
	\$875,710	\$7,341,558	\$11,492,469	\$786,045	\$1,941,145	\$14,188,347	\$1,136,094	\$335,000	\$49,610,520	\$1,305,540	\$23,624,904	\$48,750,000	\$161,387,331

**THE OCOEE UTILITY DISTRICT OF
BRADLEY AND POLK COUNTIES, TENNESSEE
HISTORICAL SUMMARY OF BALANCE SHEET CHANGES
(FISCAL YEARS ENDED JUNE 30)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS					
Current Assets					
Cash & Cash Equivalents	\$ 2,412,159	\$ 3,553,193	\$ 247,079	\$ 467,748	\$ 807,239
Restricted Cash (Current +Non-Current)	266,564	1,464,109	61,331	1,678,400	2,228,941
Accounts/Intergovernmental Receivable/Other	578,604	1,060,137	648,942	619,652	504,585
Inventory	494,959	266,023	453,735	327,106	144,162
Prepaid Expenses	31,942	40,605	35,707	30,710	32,416
Other	<u>-</u>	<u>27,529</u>	<u>28,668</u>	<u>117</u>	<u>18,430</u>
Total Current Assets	<u>\$3,784,228</u>	<u>\$ 6,411,596</u>	<u>\$1,475,462</u>	<u>\$3,123,733</u>	<u>\$3,735,773</u>
Property, Plant and Equipment					
Land and Land Improvements	3,537,729	2,573,331	386,384	386,384	386,384
Utility Plant and Equipment, Net	29,436,109	23,627,436	23,292,656	21,738,252	22,225,818
Construction in Progress	0	4,113,476	4,358,374	4,559,885	2,628,397
Less: Accumulated Depreciation	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Utility Plant and Equipment	<u>\$32,973,838</u>	<u>\$30,314,243</u>	<u>\$28,037,414</u>	<u>\$26,684,521</u>	<u>\$25,240,599</u>
Deferred Outflows of Resources					
Bond Defeasance Cost Net	1,069,406	1,157,769	1,246,131	163,985	173,581
Non-Current Restricted Cash	<u>0</u>	<u>0</u>	<u>9,899,212</u>	<u>1,334,495</u>	<u>1,422,858</u>
Total Other Assets	<u>1,069,406</u>	<u>1,157,769</u>	<u>11,145,343</u>	<u>1,498,480</u>	<u>1,596,439</u>
TOTAL ASSETS+DEFERRED OUTFLOWS	<u>\$ 37,827,472</u>	<u>\$ 37,883,608</u>	<u>\$ 40,658,219</u>	<u>\$ 31,306,734</u>	<u>\$ 30,572,811</u>
LIABILITIES AND NET POSITION					
Current Liabilities					
Accounts Payable	238,395	239,717	384,052	624,688	334,677
Accrued Liabilities	113,617	78,032	88,326	59,188	111,585
Accrued Interest	175,885	185,992	197,559	119,094	122,971
Liabilities Payable from Restricted Assets	61,364	59,406	39,037	41,133	42,563
Notes Payable	163,092	115,644	113,940	35,148	0
Bonds Payable	<u>1,115,000</u>	<u>781,507</u>	<u>761,507</u>	<u>765,000</u>	<u>750,000</u>
Total Current Liabilities	<u>\$1,867,353</u>	<u>\$1,460,298</u>	<u>\$1,584,421</u>	<u>\$1,644,251</u>	<u>\$1,361,796</u>
Non-Current Liabilities					
Deferred Inflows of Resources	97,684	2,592,251	0	79,696	84,123
Bonds/Notes Payable	<u>26,775,147</u>	<u>24,794,340</u>	<u>27,845,984</u>	<u>18,260,424</u>	<u>18,730,526</u>
Total Long Term Debt	<u>\$26,872,831</u>	<u>\$27,386,591</u>	<u>\$27,845,984</u>	<u>\$18,340,120</u>	<u>\$18,814,649</u>
Total Liabilities	<u>\$ 28,740,184</u>	<u>\$ 28,846,889</u>	<u>\$ 29,430,405</u>	<u>\$ 19,984,371</u>	<u>\$ 20,176,445</u>
Net Position					
Invested in Capital Assets, Net	5,990,005	4,268,924	281,641	9,042,733	7,272,389
Restricted	205,200	211,711	9,899,212	1,623,105	2,139,078
Unrestricted	<u>2,892,083</u>	<u>4,556,084</u>	<u>1,046,981</u>	<u>656,525</u>	<u>984,899</u>
Total Net Position	<u>\$ 9,087,288</u>	<u>\$ 9,036,719</u>	<u>\$ 11,227,834</u>	<u>\$ 11,322,363</u>	<u>\$ 10,396,366</u>
TOTAL LIABILITIES-NET POSITION	<u>\$ 37,827,472</u>	<u>\$ 37,883,608</u>	<u>\$ 40,658,239</u>	<u>\$ 31,306,734</u>	<u>\$ 30,572,811</u>

**THE OCOEE UTILITY DISTRICT OF
BRADLEY & POLK COUNTIES, TENNESSEE
HISTORICAL SUMMARY OF INCOME STATEMENTS
(FISCAL YEARS ENDED JUNE 30)**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Income					
Charges for Services	5,968,742	5,579,587	\$ 4,885,965	\$ 4,622,551	\$ 4,408,617
Penalties	91,260	77,931	78,226	72,095	75,457
Application and Reconnect Fees	140,738	110,902	95,025	168,875	163,707
Tapping Fees	292,556	255,337	297,832	264,100	178,900
Other Operating Income	<u>70,204</u>	<u>68,168</u>	<u>80,448</u>	<u>11,579</u>	<u>27,704</u>
Total Operating Income	<u>\$6,563,500</u>	<u>\$6,091,925</u>	<u>5,437,496</u>	<u>5,139,200</u>	<u>4,854,385</u>
Operating Expenses	4,295,419	4,425,537	3,772,431	3,122,348	3,123,602
Depreciation + Amortization	<u>1,091,273</u>	<u>1,000,921</u>	<u>905,410</u>	<u>893,107</u>	<u>856,882</u>
Total Operating Expenses	<u>\$5,386,692</u>	<u>\$5,426,458</u>	<u>\$4,677,841</u>	<u>\$4,015,455</u>	<u>\$3,980,484</u>
Net Operating Income	\$1,176,808	\$665,467	\$759,655	\$1,123,745	\$873,901
Non Operating Revenue (Expense)					
Fixed Asset Net Gain (Loss)	(52,739)	(825,499)	506	70,848	1,855
Interest Income	141,146	117,842	10,675	6,515	26,785
Interest Expense	(755,719)	(866,222)	(673,223)	(600,265)	(405,801)
Grants	-	125,808			
Lawsuit Settlement	-	29,815			
Reimbursement Damaged Property	-	2,467			
Amortization of Bond Discount	<u>(88,363)</u>	<u>-</u>	<u>(278,249)</u>	<u>0</u>	<u>0</u>
Total Other Income (Expense)	<u>(\$755,675)</u>	<u>(\$1,415,789)</u>	<u>(\$940,291)</u>	<u>(\$522,902)</u>	<u>(\$377,161)</u>
Capital Contributions	<u>-</u>	<u>99,673</u>	<u>\$ 86,107</u>	<u>\$ 325,154</u>	<u>\$ 78,136</u>
Change in Net Position	421,133	(650,649)	(94,529)	925,997	574,876
Beginning Net Position	<u>\$8,666,155</u>	<u>\$11,227,834</u>	<u>\$11,322,363</u>	<u>\$10,396,366</u>	<u>\$9,821,490</u>
Prior Period Adjustment		(1,540,466)			
Ending Net Position	<u><u>\$9,087,288</u></u>	<u><u>\$9,036,719</u></u>	<u><u>\$11,227,834</u></u>	<u><u>\$11,322,363</u></u>	<u><u>\$10,396,366</u></u>

RESOLUTION
NO. 2025-001

**A RESOLUTION TO PROVIDE FOR ADJUSTMENT AND
INCREASE OF WATER AND SEWER RATES**

WHEREAS, Ocoee Utility District of Bradley and Polk Counties, Tennessee (the “District”) is exclusively authorized to provide water and sewer services within the boundaries of its Service Area, which includes portions of Bradley and Polk Counties (TN) (the “Service Area”);

WHEREAS, the District is governed by the laws of the State of Tennessee, and has covenanted to comply with the terms of the indebtedness of the District (the “Covenants”);

WHEREAS, to make provision for the stabilization of annual water and sewer system revenues in the event of losses of revenues, increases to expenses, reductions to annual system usage or payment amounts by certain material users, decreased purchasing ability due to the effects of inflation, adverse macro or micro economic conditions, make capital improvements or purchase capital equipment, and to adhere to annual adjustments to the average annual cost of living as calculated by the United States Social Security Administration;

WHEREAS, to make provision for the maintenance and upgrade of the District’s underlying credit ratings as assigned by either Standard & Poor’s Corporation, Moody’s Investors Service, or Fitch Rating Services;

WHEREAS, in order to provide for the operationally efficient, legally compliant, and credit positive operations of the District’s water and sewer systems it is necessary to adjust rates periodically to continue to provide those services in accordance with existing laws of the Federal and State of Tennessee laws;

THEREFORE, in accordance with Resolution No. 2025-001 rates associated with the water and sewer services of the District shall be adjusted periodically and not less than on an annual basis.

NOW, THEREFORE BE IT RESOLVED by the Board of Commissioners of the District that the water and sewer rates shall be adjusted from time to time to comply with Resolution No. 2025-001 and any customer rates previously existing are hereby repealed in their entirety and new rates adjusted periodically, and not less than annually, for water and sewer services are herewith enacted to provide for system compliance, stabilization, credit management, enhanced system efficiency, cleanest water possible, and highest levels of customer service for the District.

Adopted this 27th day of January, 2025.

Resolution No. 2025-001

AN AMENDED AND RESTATED INITIAL RESOLUTION AUTHORIZING THE ISSUANCE OF NOT IN EXCESS OF THIRTY SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$37,500,000) WATER AND WASTEWATER REVENUE IMPROVEMENT BONDS OF OCOEE UTILITY DISTRICT OF BRADLEY AND POLK COUNTIES, TENNESSEE PURSUANT TO TENN. CODE ANN. § 7-82-101 *et seq.*, FOR THE PURPOSE OF CONSTRUCTING CERTAIN CAPITAL IMPROVEMENTS TO THE DISTRICT'S WATER SYSTEM; PAYING DUE DILIGENCE, ENGINEERING, DESIGN, AND PERMITTING FEES AND EXPENSES INCURRED IN RESPECT OF SUCH IMPROVEMENTS; REIMBURSING CERTAIN EXPENDITURES MADE IN CONNECTION THEREWITH PRIOR TO ISSUANCE; PROVIDING FOR THE ISSUANCE OF THE DISTRICT'S BOND AND GRANT ANTICIPATION NOTES IN AN AGGREGATE AMOUNT SUFFICIENT TO PROVIDE INTERIM FINANCING IN RESPECT OF THE PROJECT TO BE FUNDED BY THE SAID BONDS AND GRANTS; AND, PAYING COSTS RELATED THERETO AND INCIDENT TO THE ISSUANCE OF THE BONDS AND BOND AND GRANT ANTICIPATION NOTES

WHEREAS, the Board of Commissioners of Ocoee Utility District of Bradley and Polk Counties, Tennessee (the "District") has heretofore adopted Resolution No. 2024-011 (the "Prior Resolution"), being an initial resolution authorizing revenue improvement bonds of the District, in the maximum principal amount not in excess of Thirty Seven Million Five Hundred Thousand Dollars (\$37,500,000), and bond anticipation notes and grant anticipation notes relating thereto; and

WHEREAS, the District has determined that it is necessary and advisable to amend and restate the Prior Resolution as provided herein.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the Board of Commissioners of the District, as follows:

1. It is hereby determined that there shall be issued and there are hereby authorized to be issued water and wastewater revenue improvement bonds of the District, in the maximum principal amount not in excess of Thirty Seven Million Five Hundred Thousand Dollars (\$37,500,000) (collectively, the "Bonds"), pursuant to the Utility District Law of 1937 (as amended), Tenn. Code Ann. § 7-82-101 *et seq.*, the same to be sold to the United States of America, by and through the United States Department of Agriculture Rural Utilities Service ("RUS"), pursuant to a loan resolution adopted on November 18, 2024, by the District's Board of Commissioners (the "Board") under and pursuant to the Consolidated Farm and Rural Development Act, 7 U.S.C. § 1921 *et seq.*, for the purposes of funding the due diligence for, and the acquisition, design, permitting, and construction of, the following capital improvements to the District's water system

(collectively and severally, the "Project"), consisting of:

a. the District's new Ball Road Water Treatment Plant (the "Ball Road Plant") with a design treatment capacity of two million gallons per day, more or less, together with such intake structures and other systems, facilities, fixtures, and associated improvements as may be expedient in connection therewith;

b. water mains and related fixtures and infrastructure for delivery of treated drinking water produced by the new Ball Road Plant and the integration thereof into the District's existing public drinking water distribution system; and

c. to the extent not acquired by the District heretofore, such real property and interests in real property, whether in fee simple or otherwise, as may be necessary for the construction of the Project; and

including reimbursing the District for certain expenditures of the District in connection with the Project and which have been or will have been paid prior to the issuance of the herein referenced bonds, bond anticipation notes and/or grant anticipation notes, as applicable, and paying costs and expenses incident to the issuance of the herein referenced bonds, bond anticipation notes and grant anticipation notes.

2. The Bonds shall bear interest at such rate or rates not to exceed the lesser of Seven and No/100 percent (7.00%) per annum or the maximum rate permitted by law at the time of sale thereof, payable in such manner and at such times as shall hereafter be determined by or pursuant to a subsequent resolution of the Board.

3. The Bonds shall be payable solely from and secured by a pledge of net revenues of the District's water and wastewater system on parity with the District's now outstanding and hereafter issued parity indebtedness.

4. There are also hereby authorized to be issued and sold the District's bond anticipation notes and grant anticipation notes (collectively and severally, the "Notes") in an aggregate amount sufficient to provide interim financing for the Project pending final issuance and sale of the Bonds, to be sold in such form, in such manner and upon and subject to such terms, covenants, and conditions, and payment of the indebtedness of which shall be secured in such manner, as the Board shall deem expedient, all as set forth in such further resolutions adopted by the Board in connection therewith.

5. The Board in adopting this resolution intends to take "official action" toward the issuance of the Bonds and the Notes and to declare its "official intent" that expenditures paid by the District to

provide the Project as described herein before the issuance of the Bonds and/or the Notes, as applicable, be reimbursed out of proceeds of the Bonds and/or the Notes, as applicable, all within the meaning of regulations issued by the Internal Revenue Service pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended, particularly Treasury Regulations §1.150-2.

6. The District's president and general manager, or either of them, are herewith authorized to execute all contracts and documents associated with the issuance of the Notes and/or the Bonds, as applicable, selection and engagement of transaction participants and professionals, sale and closing of the Notes and/or the Bonds, as applicable, and other matters related thereto.

7. This resolution shall be published in full once in a newspaper of general circulation in each County of the District's Service Area.

8. The Prior Resolution is hereby amended and restated by this resolution. The Prior Resolution, and all other resolutions of the Board, or parts thereof, which conflict with the provisions of this resolution are, to the extent of such conflict, hereby repealed.


9. This resolution shall take effect immediately upon its adoption.

(SIGNATURES ON FOLLOWING PAGE)

ADOPTED AND APPROVED this 19th day of May, 2025.


President

ATTEST:


Secretary

(SEAL)

Resolution No. 2025-002

AN INITIAL RESOLUTION APPROVING THE ISSUANCE OF NOT TO EXCEED TWENTY-FIVE MILLION DOLLARS (\$25,000,000) IN AGGREGATE PRINCIPAL AMOUNT OF WATER AND WASTEWATER REVENUE IMPROVEMENT BONDS, SERIES 2025 OF THE OCOEE UTILITY DISTRICT OF BRADLEY AND POLK COUNTIES, TENNESSEE; MAKING PROVISION FOR THE ISSUANCE, SALE AND PAYMENT OF SAID BONDS; ESTABLISHING THE TERMS THEREOF AND THE DISPOSITION OF PROCEEDS THEREFROM; AND PROVIDING FOR THE DISPOSITION OF REVENUES FROM THE OCOEE UTILITY DISTRICT WATER SYSTEM.

WHEREAS, the Ocoee Utility District of Bradley and Polk Counties, Tennessee, (the "District") owns a water and wastewater system (the "System"), which, pursuant to Sections 7-82-101 et seq., Tennessee Code Annotated, and all amendments thereto, is administered and operated by the Board of Commissioners of the Ocoee Utility District of Bradley and Polk Counties, Tennessee (the "Board"); and

WHEREAS, after due investigation and consideration, the Board deems it to be in the best interest of the District to issue and sell not to exceed \$25,000,000 in aggregate principal amount of its Water and Wastewater Revenue Improvement Bonds, Series 2025 (the "Bonds" or "Series 2025 Bonds") for the purpose of providing funds to: (i) pay legal, fiscal, administrative, and other costs incident thereto and incident to the issuance of the Bonds; and (ii) construct certain capital improvements and purchase certain capital equipment for the System as described herein; and

WHEREAS, the maximum rate of interest the Bonds shall bear shall not exceed the lesser of seven percent (7.00%) or the maximum rate permitted by law; and

WHEREAS, the 2025 Bonds will be payable exclusively from the net revenues of the District on parity with the District's now outstanding and hereafter issued parity indebtedness; and

WHEREAS, the Board has heretofore retained Kidwell & Company Inc., Nashville, Tennessee to act as municipal advisor to the District (the "Municipal Advisor" or "Fiscal Agent").

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Ocoee Utility District of Bradley and Polk Counties, Tennessee, as follows:

Section 1. The District hereby approves the issuance of the Series 2025 Bonds in an aggregate principal amount of not to exceed Twenty-Five Million and NO/100 Dollars (\$25,000,000.00) and;

Section 2. The proceeds of the Series 2025 Bonds will be used to (i) pay legal, fiscal, administrative, and other costs incident thereto and incident to the issuance of the Bonds, and (ii) acquire, design, permit, and/or construct any one or more of the following capital improvement projects of the District: (i) a new 100,000 gallons per day wastewater treatment plant to be constructed on a site owned by the District on Old Parksville Road to replace and consolidate existing decentralized treatment facilities; (ii) expansion of the District's existing sanitary sewer collection system; (iii) facilities at the existing Wildwood Well site to treat per- and polyfluoroalkyl substances; (iv) water (potable/non-potable) reuse facilities at the Old Parksville Road site; (v) expansion of high-service pumps at the Carpenter Spring water treatment plant; (vi) electrical infrastructure upgrades throughout the System; (vii) replacement of high-density polyethylene pipe throughout the System; and (viii) such other, further, and additional capital improvements to the System as the Governing Body shall deem necessary or expedient under the circumstances (collectively, the "Project"). The term "Project" shall also include any reimbursement to the District, pursuant to Section 6 below or otherwise pursuant to Section 150 of the Internal Revenue Code of 1986, as amended, from the proceeds of any of the Bonds, of any amounts expended in respect of the Project prior to issuance of the Bonds.

Section 3. The maximum rate of interest the Bonds shall bear shall not exceed the lesser of seven percent (7.00%) or the maximum rate permitted by law.

Section 4. The Bonds shall be payable solely from and secured by a lien on the net revenues to be derived from the operations of the System on parity with the District's now outstanding and hereafter issued parity indebtedness.

Section 5. The Fiscal Agent is herewith engaged, authorized, and directed to proceed with the selection of transaction participants and offering of the Bonds on terms not inconsistent with the terms hereof. The terms of the Bonds and all other covenants, terms and provisions relating to the Bonds shall be as set forth in the Bond Resolution to be adopted by the District in connection with the Bonds.

Section 6. The Board in adopting this resolution intends to take "official action" toward the issuance of the Bonds and to declare its "official intent" that expenditures paid by the District to provide the Project as described herein before the issuance of the Bonds be reimbursed out of proceeds of the Bonds, all within the meaning of regulations issued by the Internal Revenue Service pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended, particularly Treasury Regulations §1.150-2.

Section 7. In connection with the issuance of the Bonds, the President and General Manager of the District, or either of them, is authorized to take any and all actions requisite to

effect the issuance of the Bonds and to engage such legal, financial, or other transaction participants necessary thereto consistent with the recommendations of the Fiscal Agent.

Section 8. In connection with the sale and delivery of the Bonds, the President and General Manager of the District, or either of them, is authorized to take any and all actions requisite to affect the sale, delivery and closing of the Bonds and to execute all legal documents and deliver all certificates necessary and incident thereto.

Section 9. This resolution shall be published in full once in a newspaper of general circulation in each County of the District's Service Area.

Section 10. Any and all other resolutions of the Board, or parts thereof, which conflict with the provisions of this resolution are, to the extent of such conflict, hereby repealed.


Section 11. This resolution shall take affect from and after its adoption, the public welfare requiring it.

(SIGNATURES ON FOLLOWING PAGE)

ADOPTED AND APPROVED this 19th day of May, 2025.


President

ATTEST:


Secretary

(SEAL)

Resolution No. 2025-003

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$25,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER AND WASTEWATER REVENUE IMPROVEMENT BONDS, SERIES 2025 OF OCOEE UTILITY DISTRICT OF BRADLEY AND POLK COUNTIES, TENNESSEE; MAKING PROVISION FOR THE ISSUANCE, SALE, AND PAYMENT OF SAID BONDS; ESTABLISHING THE TERMS THEREOF AND THE DISPOSITION OF PROCEEDS THEREFROM; PROVIDING FOR THE COLLECTION AND DISPOSITION OF REVENUES FROM THE SYSTEM OF THE DISTRICT; AND MAKING PROVISION FOR THE OPERATION OF SAID SYSTEM.

WHEREAS, Ocoee Utility District of Bradley and Polk Counties, Tennessee (the "District") is duly incorporated pursuant to the provisions of the Utility District Law of 1937 (as amended), Tennessee Code Annotated § 7-82-101 *et seq.* (the "Act"); and

WHEREAS, pursuant to the Act, the District is authorized to issue bonds and use the proceeds thereof to finance the acquisition of utility systems and the construction of improvements and extensions to its utilities systems and from time to time to refund the indebtedness of such bonds; and

WHEREAS, the Governing Body (as hereinafter defined) of the District has determined that it is necessary and advisable to issue not to exceed \$25,000,000 in aggregate principal amount of its Water and Wastewater Revenue Improvement Bonds, Series 2025 (the "Bonds" or the "Series 2025 Bonds") for the purpose of funding the acquisition, design, permitting, and construction of the Projects (as hereinafter defined), and financing the costs of issuance of the Bonds; and

WHEREAS, the District owns and operates the System (as hereinafter defined); and

WHEREAS, it is the intention of the Governing Body to adopt this resolution for the purpose of authorizing the Bonds for the purposes described above; establishing the terms of the Bonds; and providing for the issuance, sale and payment of the Bonds, the disposition of proceeds therefrom, the collection of revenues from the System, and the application thereof to the payment of principal of, premium, if any, and interest on the Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the District, as follows:

1. Authority; Purpose; Findings; Parity.

(a) The Bonds authorized by this resolution are issued pursuant to the Act and other applicable provisions of law. The Governing Body hereby finds and determines that the issuance of the Bonds is necessary and advisable for the purpose of funding the acquisition, design, permitting, and construction of the Projects, and financing the costs of issuance of the Bonds.

(b) The Bonds shall constitute "Parity Bonds" under the Prior Resolutions (as hereinafter defined) and shall likewise be payable at parity with the District's outstanding State Revolving Fund Loans (as hereinafter defined).

2. Definitions. The following terms shall have the following meanings in this resolution unless the text expressly or by necessary implication requires otherwise:

"Acquired System" means any water procurement, treatment, storage, or distribution system acquired by the District pursuant to the Act or hereafter acquired, constructed or otherwise established by the District pursuant to the Act.

"Act" means, collectively and severally, the Utility District Law of 1937 (as amended), Tennessee Code Annotated § 7-82-101 *et seq.*, and all amendments subsequently hereto enacted to such statute.

"Balloon Indebtedness" means any bonds, notes, or other indebtedness of the District, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the

option of the holder) during any twelve-month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve-month period.

"Beneficial Owners" shall have the meaning set forth in Section 3(k) hereof.

"Bond Fund" means the Bond and Interest Sinking Fund described in Section 7(b) hereof.

"Bond Purchase Agreement" means the bond purchase agreement providing for the purchase and sale of the Bonds, by and between the Original Purchaser and the District, in the form as shall be necessary to properly describe the Bonds being purchased, approved by the President and the General Manager, or either of them.

"Bonds" or "Series 2025 Bonds" means not to exceed \$25,000,000 in aggregate principal amount of Water and Wastewater Revenue Improvement Bonds, Series 2025, dated the date of issuance, or such other series designation and dated date or dates as shall be determined by the President and the General Manager, or either of them, pursuant to Section 12 hereof, authorized to be issued by this resolution.

"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 certificate of bonds being held by and "immobilized" in the custody of such Depository, and under which records maintained by persons, other than the District or the Registration Agent, constitute the written record that identifies, and records the transfer of, the beneficial "book-entry" interests in, those bonds.

"Capital Appreciation Bonds" means bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption.

"Code" means the Internal Revenue Code of 1986 (as amended), 26 U.S.C. § 1 *et seq.*, and any lawful regulations promulgated or proposed thereunder.

"Compound Accreted Value" means the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution(s) authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date.

"Consulting Engineer" means (i) an engineering firm or individual engineer employed by the District with substantial experience in advising utilities similar to the System operated by the District as to the construction and maintenance of the System and in the projection of relative costs of expansion of the System, or (ii) an engineer or engineers who are employees of the District whose reports or projections are certified by a Municipal Advisor.

"Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the District provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility.

"Current Expenses" means expenses incurred by the District in the operation of the System, determined in accordance with generally accepted accounting principles, including the reasonable and necessary costs of operating, maintaining, repairing, and insuring the System, the cost of producing potable water, salaries and wages, cost of materials and supplies, and insurance premiums, but shall exclude depreciation, amortization, and interest on any bonds, notes, or other obligations of the District.

"Debt Service Requirement" means, for any bonds, notes, or other obligations of the District, the total principal, Maturity Amounts, and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the District or any paying agent for such bonds, notes, or other obligations of the District), for any period of twelve consecutive calendar months for which such a determination is made, provided:

(i) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of the District, either (1) the average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Municipal Advisor;

(ii) The Debt Service Requirement with respect to any Hedged Obligations, the interest on such Hedged Obligations during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the District on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the District under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the District on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (*i.e.*, which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation (*e.g.*, indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period); and,

(iii) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of the District, (i) the actual principal and interest on such Balloon Indebtedness and Short-Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or (ii) such Balloon Indebtedness and Short-Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 40 years at an assumed interest rate (which shall be the interest rate certified by a Municipal Advisor to be the interest rate at which the District could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short-Term Indebtedness and with a 40-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 40 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph shall not be applicable for purposes of determining the District's Debt Service Requirement for purposes of calculating the Reserve Fund Requirement for Section 7(d) of this resolution unless the District has a written commitment from a bank, underwriting firm or other financial institution with a Rating in one of two highest categories of at least one Rating Agency (ignoring any gradations within a Rating Category) to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year.

"Defeasance Obligations" means 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 which at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described in Section 14, 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

"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.

"District" means Ocoee Utility District of Bradley and Polk Counties, Tennessee.

"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.

"DTC Participant(s)" means securities brokers and dealers, banks, trust companies, and clearing corporations that have access to the DTC Book-Entry System.

"Financial Guaranty Agreement" means any Financial Guaranty Agreement authorized herein to be executed in connection with a Reserve Fund Credit Facility.

"Fiscal Year" means the twelve-month period commencing July 1 of each year and ending June 30 of the following year.

"General Manager" means the duly appointed General Manager of the District, or any other employee of the District acting in the capacity of General Manager when the appointed and serving General Manager is unavailable or incapable of acting.

"Governing Body" means the Board of Commissioners of the District.

"Gross Earnings" means all revenues, rentals, earnings, and income of the District from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements, and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by this resolution, any prior bond resolution, and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created from the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the District); provided, however, at the election of the Governing Body, the term "Gross Earnings" as used herein shall not include any revenues, rentals, earnings, or other income received by the District from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds.

"Hedge Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the District determines is to be used, or is intended to be used, to manage or reduce the cost of any bonds, notes, or other obligations of the District, to convert any element of any bonds, notes, or other obligations of the District from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

"Hedge Payments" means amounts payable by the District pursuant to any Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Hedge Period" means the period during which a Hedge Agreement is in effect.

"Hedge Receipts" means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

"Hedged Obligations" means any bonds, notes, or other obligations of the District for which the District shall have entered into a Hedge Agreement.

"Loan Agreement" means any agreement or contract entered into by the District whereby a third party agrees to advance funds to the District and the District agrees to repay those funds with interest.

"Maturity Amount" means the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond.

"Maximum Annual Debt Service Requirement" means the maximum annual Debt Service Requirement for any Fiscal Year of the District.

"Municipal Advisor" means Kidwell & Company or other person who or which is retained by the District for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the District, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Municipal Advisor has been retained.

"Net Revenues" means Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses.

"Original Purchaser" means the investment bank, commercial bank or other financial institution or group thereof selected by the President and the General Manager, or either of them, to be the initial purchaser of the Bonds.

"Parity Bonds" means, collectively, (i) the Bonds, (ii) all bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness, and Variable Rate Indebtedness, issued or entered into by the District on a parity with the Bonds herein authorized in accordance with the restrictive provisions of Section 11 hereof, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such Acquired System), so long as the Acquired System is not being operated separately from the System as is permitted herein and the revenues from such Acquired System are not excluded from Gross Earnings, (iii) the Prior Bonds, (iv) the State Revolving Fund Loans, and (v) all other "Parity Bonds" as permitted under one or more of the Prior Resolutions.

"President" means the duly elected and serving President of the Governing Body, or any other member of the Governing Body acting in the capacity of President when the elected and serving President is unavailable or incapable of acting.

"Prior Bonds" means, collectively, the Series 2013 Bonds, the Series 2015 Bonds, the Series 2016 Bonds and the Series 2022 Bonds.

"Prior Resolutions" means collectively the Series 2013 Bond Resolution, the Series 2015 Bond Resolution, the Series 2016 Bond Resolution and the Series 2022 Bond Resolution.

"Project" or "Projects" shall refer to the acquisition, design, permitting, and/or construction of any one or more of the following capital improvement projects of the District: (i) a new 100,000 gallons per day wastewater treatment plant to be constructed on a site owned by the District on Old Parksville Road to replace and consolidate existing decentralized treatment facilities; (ii) expansion of the District's existing sanitary sewer collection system; (iii) facilities at the existing Wildwood Well site to treat per- and polyfluoroalkyl substances; (iv) water (potable/non-potable) reuse facilities at the Old Parksville Road site; (v) expansion of high-service pumps at the Carpenter Spring water treatment plant; (vi) electrical infrastructure upgrades throughout the System; (vii) replacement of high-density polyethylene pipe throughout the System; and (viii) such other, further, and additional capital improvements to the System as the Governing Body shall deem necessary or expedient under the circumstances. "Project" shall also include any reimbursement to the District, pursuant to Section 12(d) below or otherwise pursuant to Section 150 of the Code, from the proceeds of any of the Bonds, of any amounts expended in respect of any Project prior to issuance of the Bonds.

"Project Fund" means one or more segregated fund(s) to be established by the District, and into which all of the proceeds of the Bonds received, and net of expenses of issuance, shall be deposited for expenditure for the purposes described in Section 1 above.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or "Rating Agency" means Fitch, Inc., Moody's Investors Service, Inc., and Standard & Poor's Global Ratings, or any successors thereto and any other nationally recognized credit rating agency.

"Regulations" means those regulations promulgated by the Secretary of the Treasury under and pursuant to the Code.

"Registration Agent" means the registration and paying agent for the Bonds appointed by the President and the General Manager, or either of them, pursuant to Section 3 hereof, or any successor thereto designated by the Governing Body.

"Reserve Fund" means the Debt Service Reserve Fund established pursuant to Section 7(d) hereof, if and to the extent such is required by the Original Purchaser.

"Reserve Fund Credit Facility" means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee, or other agreement provided by a Reserve Fund Credit Facility Issuer which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds.

"Reserve Fund Credit Facility Issuer" means the issuer of a Reserve Fund Credit Facility rated in the highest rating category by each Rating Agency that rates such Reserve Fund Credit Facility Issuer.

"Reserve Fund Requirement" means the amount determined by the President and the General Manager, or either of them, pursuant to Section 7(d) hereof, but not greater than the least of (a) 10% of the stated principal amount of the Bonds; (b) the Maximum Annual Debt Service Requirement on the Bonds during the term of the Bonds; or (c) 110% of the average annual principal and interest requirement, when due, on a Fiscal Year basis, including principal payable by reason of the mandatory redemption provisions of any Bonds, on the Bonds during the term thereof; provided, however, with respect to Variable Rate Indebtedness, it shall be assumed that such Variable Rate Indebtedness bears interest through maturity at that rate which such Variable Rate Indebtedness would have borne had such Variable Rate Indebtedness borne a fixed, constant rate of interest, as certified by the original purchaser of such Variable Rate Debt as of the date of issuance thereof.

"Revenue Fund" shall have the meaning set forth in Section 7 hereof.

"Secretary" means the duly elected and serving secretary of the Governing Body, or any other member of the Governing Body acting in the capacity of Secretary when the elected and serving Secretary is unavailable or incapable of acting.

"Series 2013 Bond Resolution" shall mean the resolution of the District adopted on September 18, 2013, authorizing and approving the issuance of the bonds thereafter issued as the Series 2013 Bonds.

"Series 2015 Bond Resolution" means the resolution of the District adopted on November 4, 2014, authorizing and approving the issuance of the bonds thereafter issued as the Series 2015 Bonds.

"Series 2016 Bond Resolution" means the resolution of the District adopted on February 17, 2016, authorizing and approving the issuance of the bonds thereafter issued as the Series 2016 Bonds.

"Series 2022 Bond Resolution" means the resolution of the District adopted on February 28, 2022, authorizing and approving the issuance of the bonds thereafter issued as the Series 2022 Bonds.

"Series 2013 Bonds" shall mean the District's \$12,180,000 Waterworks Revenue Refunding and Improvement Bonds, Series 2013, issued on October 17, 2013.

"Series 2015 Bonds" means the District's \$4,735,000 Waterworks Revenue Refunding Bonds, Series 2015A (Tax Exempt) (Bank Qualified) and \$2,825,000 Waterworks Revenue Refunding Bonds, Series 2015B (Federally Taxable), issued on March 11, 2015.

"Series 2016 Bonds" means the District's \$10,000,000 Waterworks Revenue Refunding Bonds, Series 2016 (Tax Exempt) (Bank Qualified), issued on July 6, 2016.

"Series 2022 Bonds" means the District's \$10,000,000 Water and Wastewater Revenue Improvement Bonds, Series 2022A (Bank Qualified), issued on March 30, 2022.

"Short-Term Indebtedness" means any bonds, notes, or other indebtedness of the District, including Variable Rate Indebtedness, maturing five years or less from their respective date of issuance.

"State" means the State of Tennessee.

"State Revolving Fund Loans" refers, collectively and severally, to the District's State Drinking Water Revolving Fund Loans Nos. 2019-210, 2019-211 and 2021-242.

"System" means the complete water procurement, treatment, storage, and distribution system of the District, together with the complete wastewater collection, transmission, treatment, and disposal system of the District, together with and including all properties (and interests in properties) of every nature hereafter owned or held by the District, including all improvements and extensions made by the District while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all easements, appurtenances, fixtures, equipment, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separate and independent Acquired System within the System. "System" shall also include all of the District's right, title, and interest in or to any and all real property and/or personal property owned, operated, or otherwise used in connection with any self-contained, decentralized wastewater treatment system as to which the District has accepted or assumed any responsibility for the ownership and/or operation thereof.

"Termination Payments" means an amount payable by or to the District upon termination of a Hedge Agreement.

"Variable Rate Indebtedness" means any bonds, notes, or other indebtedness of the District, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution(s) authorizing such bonds, notes, or other indebtedness; provided, however, that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

3. Authorization and Terms of the Bonds.

(a) For the purpose of financing the acquisition, design, permitting, and construction of the Projects, and financing the costs of issuance of the Bonds, all as more fully set forth in Section 13 hereof, there are hereby authorized to be issued revenue improvement bonds of the District in an aggregate principal amount not to exceed \$25,000,000. The Bonds shall be issued in fully registered form, without coupons, shall be known as "Water and Wastewater Revenue Improvement Bonds, Series 2025," and shall be dated the date of issuance thereof, or bear such other series designation or designations or dated date or dates designated by the President and the General Manager, or either of them, pursuant to the terms of Section 12 hereof. The Bonds shall bear interest payable semi-annually on October 1 and April 1 of each year the Bonds are outstanding, commencing October 1, 2025, with the interest rate for each maturity not to exceed the lesser of 7.00 percent per annum or the maximum rate permitted by law. The Bonds shall be issued initially in \$5,000 denominations or integral multiples thereof as shall be requested by the Original Purchaser. The Bonds shall mature, subject to prior redemption as hereinafter provided, either serially or through mandatory or optional redemption as described herein, commencing on October 1, 2026, and continuing on the first day of October of each year thereafter through and including October 1, 2056, the final maturity date (subject to adjustment as provided in Section 12 hereof), in such amounts as shall be established by the President and the General Manager, or either of them, and set forth in the Bond Purchase Agreement, taking into account the cash flow and operational needs of the District.

(b) Subject to the provisions of Section 12 below, Bonds maturing on or before October 1, 2029, shall not be subject to optional redemption prior to maturity. Subject to the provisions of Section 12 below, Bonds maturing on or after October 1, 2030, and thereafter shall be subject to redemption prior to maturity at the option of the District on or after October 1, 2029, as a whole or in part at any time at the price of 100% of par plus interest accrued to the redemption date. If fewer than all the Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Governing Body in its discretion. If fewer than all of the Bonds within a single maturity shall be called for redemption, the Bonds 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.

(c) Pursuant to Section 12 hereof, the President and the General Manager, or either of them, are authorized to sell the Bonds, or any maturities thereof, as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as determined by the President and the General Manager, or either of them. In the event any or all the Bonds are sold as term bonds, the District shall redeem term bonds on redemption dates corresponding to the maturity dates set forth herein, in aggregate principal amounts equal to the maturity amounts set forth herein for each redemption date, as such maturity amounts may be adjusted pursuant to Section 12 hereof, at a price of par plus accrued interest thereon to the date of redemption. The term bonds to be so redeemed shall be selected in the manner described in subsection (b) above.

(d) At its option, to be exercised on or before the 45th day next preceding any such mandatory redemption date, the District may (i) deliver to the Registration Agent for cancellation 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 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 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 the District on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced. The District shall on or before the 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.

(e) Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the District not less than thirty (30) days 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 redemption of any of the Bonds for which proper notice was given. As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the District 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 as and when directed by the District pursuant to written instructions from an authorized representative of the District (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein and in the Bond Purchase Agreement) 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 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.

(f) The District hereby authorizes the President and the General Manager, or either of them, to appoint the Registration Agent and hereby authorizes and directs the Registration Agent so appointed to maintain Bond registration records with respect to the Bonds, to authenticate and deliver the Bonds as provided herein, either at original issuance or upon transfer, to effect transfers of the Bonds, to give all notices of redemption as required herein, to make all payments of principal and interest with respect to the Bonds as provided herein, to cancel and destroy Bonds which have been paid at maturity or upon earlier redemption or submitted for exchange or transfer, to furnish the District at least annually a certificate of destruction with respect to Bonds canceled and destroyed, and to furnish the District at least annually an audit confirmation of Bonds paid, Bonds outstanding, and payments made with respect to interest on the Bonds. The President and the General Manager, or either of them, are hereby authorized to execute, and the Secretary is hereby authorized to attest, such written agreement between the District and the Registration Agent as they shall deem necessary and 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.

(g) The Bonds shall be payable, both principal and interest, in lawful money of the United States of America at the main office of the Registration Agent. The Registration Agent shall make all interest payments with respect to the Bonds by check or draft 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 depositing said payment in the United States mail, postage prepaid, addressed to such owners at their addresses shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the District in respect of such Bonds to the extent of the payments so made. Payment of principal of and premium, if any, on the Bonds shall be made upon presentation and surrender of such 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 360-day year composed of twelve months of thirty (30) days each.

(h) Any interest on any Bond that 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 by the District to the persons in whose names the 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: the District shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the District shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten 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 Special Record Date shall be not more than 15 nor less than ten days prior to the date of the proposed payment to the registered owners. The Registration Agent shall promptly notify the District of such Special Record Date and, in the name and at the expense of the District, not less than ten days prior to such Special Record Date,

shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each registered owner at the address thereof as it appears in the Bond registration records maintained by the Registration Agent as of the date of such notice. Nothing contained in this Section or in the 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 the District to punctually pay or duly provide for the payment of principal of, premium, if any, and interest on the Bonds when due.

(i) The Bonds are transferable only by presentation to the Registration Agent by the registered owner, or his or her legal representative duly authorized in writing, of the registered Bond(s) to be transferred with the form of assignment set forth at the end of the Bond form or on the reverse side thereof, as applicable, completed in full and signed with the name of the registered owner as it appears upon the face of the Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Bond or 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 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 publication of notice calling such Bond for redemption has been made, nor to transfer or exchange any Bond during the period following the receipt of instructions from the District to call such 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 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 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and neither the District nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bonds shall be overdue. The Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of the Bonds of the same maturity in any authorized denomination or denominations.

(j) The Bonds shall be executed in such manner as may be prescribed by applicable law, in the name, and on behalf, of the District with the manual or facsimile signature of the President, and attested by the manual or facsimile signature of the Secretary.

(k) Except as otherwise provided in this resolution, the Bonds shall be registered in the name of Cede & Co., as nominee of DTC, which will act as securities depository for the Bonds. References in this Section to a Bond or the Bonds shall be construed to mean the Bond or the Bonds that are held under the Book-Entry System. One Bond for each maturity shall be issued to DTC and immobilized in its custody. A Book-Entry System shall be employed, evidencing ownership of the 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 Bonds. Beneficial ownership interests in the 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 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 Bonds. Transfers of ownership interests in the 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 BONDS, THE REGISTRATION AGENT SHALL TREAT CEDE & CO., AS THE ONLY HOLDER OF THE BONDS FOR ALL PURPOSES UNDER THIS RESOLUTION, INCLUDING RECEIPT OF ALL PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, VOTING AND REQUESTING OR DIRECTING THE REGISTRATION AGENT TO TAKE OR NOT TO TAKE, OR CONSENTING TO, CERTAIN ACTIONS UNDER THIS RESOLUTION.

Payments of principal, interest, and redemption premium, if any, with respect to the Bonds, so long as the Bonds shall be registered in the name of Cede & Co., as nominee of DTC, 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 District (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. The District and the Registration Agent shall not 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 (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) the District determines that the continuation of the Book-Entry System of evidence and transfer of ownership of the Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Bonds, the District shall discontinue the Book-Entry System with DTC. If the District fails to identify another qualified securities depository to replace DTC, the District shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner.

THE DISTRICT AND THE REGISTRATION AGENT SHALL NOT 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 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 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 BONDS; OR, (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED OWNER.

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

(m) The Registration Agent is hereby authorized to authenticate and deliver the Bonds to the Original Purchaser, upon receipt by the District of the proceeds of the sale thereof, and to authenticate and deliver Bonds in exchange for Bonds of the same principal amount delivered for transfer upon receipt of the Bond(s) to be transferred in proper form with proper documentation as hereinabove described. The Bonds shall not be valid for any purpose unless authenticated by the Registration Agent by the manual signature of an officer thereof on the certificate set forth herein on the Bond form.

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

Section 4. Source of Payment. The Bonds shall be payable solely from and secured by a pledge of the Net Revenues. The punctual payment of principal of and premium, if any, and interest on the Bonds, the Prior Bonds, the State Revolving Fund Loans, and all other Parity Bonds, as applicable, shall be secured equally and ratably by the Net Revenues without priority by reason of series, number, or time of sale or delivery. The Bonds do not constitute a debt of the State of Tennessee, or any political subdivision thereof, or municipal corporation therein, other than the District, and no holder of the Bonds shall have recourse to the taxing power of any such entities.

Section 5. Form of Bonds. The Bonds shall be in substantially the following form, subject to the provisions of Section 12 below, the omissions to be appropriately completed when the Bonds are prepared and delivered:

(Form of Bond)

REGISTERED

Number _____

REGISTERED

\$ _____

UNITED STATES OF AMERICASTATE OF TENNESSEEOCOEE UTILITY DISTRICT OFBRADLEY AND POLK COUNTIES, TENNESSEEWATER AND WASTEWATER REVENUEIMPROVEMENT BONDS, SERIES 2025

Interest Rate:

Maturity Date:

Date of Bond:

CUSIP No:

_____ %

October 1, 20____

_____, _____

Registered Owner: Cede & Co.

Principal Amount: _____ DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That Ocoee Utility District of Bradley and Polk Counties, Tennessee (the "District"), a utility district lawfully organized and existing under the Utility District Law of 1937 (as amended), Tennessee Code Annotated § 7-82-101 *et seq.* (the "Act"), 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, 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, said interest being payable on October 1, 2025, 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 at the principal corporate trust office of _____, as registration agent and paying agent (the "Registration Agent"). The Registration Agent shall make all interest payments with respect to this Bond on each interest payment date to the registered owner hereof 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 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 District 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 persons 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 days prior to such Special Record Date. Payment of principal of and premium, if any, on this Bond shall be made when due upon presentation and surrender of this Bond to the Registration Agent.

Except as otherwise provided herein or in the Bond 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. A 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 Bond 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 District and the Registration Agent shall treat Cede & Co., as the only owner of the Bonds for all purposes under the Bond Resolution, including receipt of all principal and maturity amounts 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 registered 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 Bond Resolution). Neither the District 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) the District determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect its interests or the interests of the Beneficial Owners of the Bonds, the District may discontinue the book-entry system with DTC. If the District fails to identify another qualified securities depository to replace DTC, the District shall cause the Registration Agent to authenticate and deliver replacement Bonds in the form of fully registered Bonds to each Beneficial Owner. Neither the District 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 Bond 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 registered owner.

This Bond is one of a total authorized issue aggregating up to \$25,000,000 and issued by the District pursuant to a resolution duly adopted by the Board of Commissioners of the District on May 19, 2025 (the "Bond Resolution"), for the purpose of financing the acquisition, design, permitting, and construction of the Projects (as defined in the Bond Resolution), and financing the costs of issuance of the Bonds. This Bond constitutes a "Parity Bond" under the Prior Resolutions (as defined in the Bond Resolution), and is further payable at parity with the District's outstanding State Revolving Fund Loans (as defined in the Bond Resolution).

This Bond is payable solely from and secured by a pledge of revenues to be derived from the operation of the System (as defined in the Bond Resolution), subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring the System. As provided in the Bond Resolution, the punctual payment of principal of and interest on the series of the Bonds of which this Bond is one, and any other bonds, notes or other obligations of the District now outstanding or hereafter issued on a parity therewith, shall be secured equally and ratably by said revenues without priority by reason of series, number, or time of sale or delivery. Said revenues are required by law and by the proceedings pursuant to which this Bond is issued to be fully sufficient to pay the cost of operating, maintaining, repairing, and insuring the System, including reserves therefor, and to pay principal of and interest on this Bond and the issue of which it is a part promptly as each becomes due and payable. The District has covenanted and does hereby covenant 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 becomes due. This Bond and the interest hereon are payable solely from the revenues so pledged to the payment hereof, and this Bond does not constitute a debt of the District within the meaning of any statutory limitation. 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 any other bonds, notes, or other obligations of the District 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 Bond Resolution may be modified, reference is hereby made to the Bond Resolution.

A statutory mortgage lien, which is hereby recognized as valid and binding, is created and granted by the Act on the System in favor of the owner or owners of this Bond and the issue of which it is a part and all other bonds now outstanding or hereafter issued on a parity therewith, and the System shall remain subject to such statutory mortgage lien until the payment in full of the principal of and interest on said bonds.

The Bonds of the issue of which this Bond is one maturing on or before October 1, 2029, shall not be subject to optional redemption prior to maturity, and the Bonds of the issue of which this Bond is one maturing on or after October 1, 2030, shall be subject to redemption prior to maturity at the option of the District on or after October 1, 2029, as a whole or in part at any time at the price of 100% of par plus interest accrued to the redemption date. If fewer than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of Commissioners of the District, in its discretion. If fewer than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

- (1) If the Bonds are being held under a Book-Entry System (as defined in the Bond Resolution) by DTC, or a successor Depository (as defined in the Bond

Resolution), 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

- (2) 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.

[The Bonds maturing on October 1, 20____, are subject to mandatory sinking fund redemption prior to maturity, at a redemption price equal to the principal amount thereof plus accrued interest thereon, on the dates and in the amounts set forth below. DTC, as securities depository for the series of Bonds of which this Bond is one, or such other Depository as shall then be serving as the securities 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 principal amount of Bonds to be redeemed on said dates are as follows:

<u>Final</u> <u>Maturity</u>	<u>Redemption</u> <u>Date</u>	<u>Principal Amount</u> <u>of Bonds</u> <u>Redeemed</u>
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***Final Maturity**

At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such redemption date, the District may (i) deliver to the Registration Agent for cancellation 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 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 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 the District on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation of this mandatory sinking fund provision shall be accordingly reduced.]

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent not less than thirty (30) days 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 such 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. As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the District 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 will not affect the validity of such 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 provided as set forth in the Bond Resolution.

This Bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Registration Agent set forth above, but only in the

manner, subject to limitations and upon payment of the charges provided in the Bond Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of authorized 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 District 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 Bond 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 District to call such Bond for redemption.

This Bond and the income therefrom are exempt from all present state, county, and municipal taxes in Tennessee except (a) inheritance, transfer, and estate taxes, if any such tax is then imposed by the State of Tennessee, (b) Tennessee excise taxes on interest on the Bond during the period the Bond is held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (c) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of 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 does not exceed any limitation prescribed by the constitution and statutes of the State of Tennessee.

IN WITNESS WHEREOF, the District has caused this Bond to be signed by its President with his or her manual signature and attested by its Secretary with his or her manual signature under an impression of the corporate seal of the District, all as of the date hereinabove set forth.

OCOEE UTILITY DISTRICT OF BRADLEY AND
POLK COUNTIES, TENNESSEE

By
:

President of the Board of Commissioners

(SEAL)

ATTESTED:

Secretary of the Board
of Commissioners

Transferable and Payable at: _____

Date of Registration: _____

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

Registration Agent

By: _____
Authorized Officer

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto _____, whose address is _____ (Please insert Federal Identification or Social Security Number of Assignee _____), the within Bond of Ocoee Utility District of Bradley and Polk Counties, 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 enlargement or alteration, 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.

[End of Bond Form]

6. Equality of Lien; Pledge of Net Revenues; Statutory Mortgage Lien. The punctual payment of principal of, premium, if any, and interest on the Bonds, the Prior Bonds, the State Revolving Fund Loans, and all other Parity Bonds, as applicable, shall be secured equally and ratably by the Net Revenues, without priority by reason of number or time of sale or execution or delivery and, subject to the payment of the reasonable and necessary costs of operating, maintaining, repairing, and insuring the System. The Net Revenues are hereby irrevocably pledged to the punctual payment of such principal, premium, if any, and interest as the same become due. For the further protection of the registered owners of the Bonds and all other bonds now outstanding or hereafter issued on a parity therewith, a statutory lien in the nature of a mortgage lien upon the System is granted and created by the Act, which said statutory mortgage lien is hereby recognized as valid and binding upon the District and to be a lien upon the System, and the System shall remain subject to such statutory mortgage lien until the payment in full of the principal and interest on the Bonds and all other bonds now outstanding or hereafter issued on a parity therewith.

7. Application of Revenues. From and after the delivery of any of the Bonds hereunder, and as long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System as collected by the District shall be deposited in either (i) the "Revenue Fund" established pursuant to one or more of the Prior Resolutions and then being used as the depository account for Gross Earnings as long as any of the Prior Bonds remain outstanding, or (ii) the "Revenue Fund" hereby established if all of the Prior Bonds have been paid or discharged in the manner set forth in the applicable Prior Resolution (such applicable fund being referred to herein as the "Revenue Fund"), which Revenue Fund shall be administered and controlled by the District. The funds so deposited in the Revenue Fund shall be used only as follows:

(a) The money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.

(b) The money thereafter remaining in the Revenue Fund shall next be used to make deposits into either (i) the applicable fund established pursuant to one or more of the Prior Resolutions and then being used for payment of the Prior Bonds as long as any of the Prior Bonds remain outstanding, or (ii) a separate and special fund established hereby, to be known as the "Bond and Interest Sinking Fund," if all of the Prior Bonds have been paid or discharged in the manner set forth in the applicable Prior Resolution (such applicable fund being referred to herein as the "Bond Fund"), such Bond Fund to be kept separate and apart from all other funds of the District and used to pay principal of and interest on the Bonds, the Prior Bonds, the State Revolving Fund Loans, and all other Parity Bonds, as applicable, as the same become due, either by maturity or mandatory redemption. Such deposits as to the Bonds shall be made as hereinafter provided; such deposits as to the Prior Bonds, if applicable, shall be made as provided in the applicable Prior Resolutions; such payments as to the State Revolving Fund Loans, as applicable, shall be made as provided in the loan documents evidencing such State Revolving Fund Loans, or, if applicable, the resolution(s) authorizing the State Revolving Fund Loans; and such deposits as to all other Parity Bonds, if applicable, shall be made as provided in the bond resolution(s) authorizing the issuance of such other Parity Bonds. Such deposits shall be made monthly until the Bonds, the Prior Bonds, the State Revolving Fund Loans, and all other Parity Bonds, as applicable, are paid in full or discharged and satisfied pursuant to Section 14 hereof or the applicable provisions of the Prior Resolutions, as applicable, or the applicable provisions of the loan documents evidencing the State Revolving Fund Loans or the resolution(s) authorizing the State Revolving Fund Loans, as applicable, or the applicable provisions of the bond resolution(s) for all other Parity Bonds, as applicable. Such deposits, as to the Bonds, shall begin in the month next following delivery of the Bonds. For the period commencing with the month next following the delivery of any Bonds, to and including the month of the next interest payment date for such Bonds, each monthly deposit as to interest shall be an amount that, together with all other monthly deposits of approximately equal amounts during such period and amounts otherwise in the Bond Fund, will be equal to interest due on such Bonds on the next interest payment date, and for each six month period thereafter, each monthly deposit as to interest for such Bonds shall be an equal to not less than one-sixth (1/6th) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts. For the period commencing with the month next following the delivery of any Bonds to and including the month of the next principal payment for such Bonds, each monthly deposit as to principal shall be an amount that, together with all other monthly deposits during such period and amounts otherwise in said Fund, will be equal to the principal due on such Bonds on the next principal payment date (provided that, in the event that the next principal payment date is more than 12 months following the month next following delivery of such Bonds, monthly deposits to the Bond Fund in respect of principal shall begin in the month which is 12 months prior to the month of the next principal payment date), and for each twelve-month period thereafter, each monthly deposit as to principal for such

Bonds shall be an amount equal to not less than one-twelfth (1/12th) of the principal amount or Maturity Amount, as the case may be, coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts. Each deposit as to interest may take into account expected Hedge Payments and Hedge Receipts related to such interest payments. No further deposit shall be required as to any Bonds when the Bond Fund balance with respect to the Bonds is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period, and any related Hedge Payments (and taking into account expected Hedge Receipts). Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution(s) authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds, the deposits may be adjusted by the District as provided in the resolution(s) authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds, the Prior Bonds, the State Revolving Fund Loans, and all other Parity Bonds, as applicable, and making any Hedge Payments.

(c) The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

(d) To the extent the Reserve Fund Requirement, if any, for the Bonds is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the District, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into a separate and special fund, to be known and designated as the "Debt Service Reserve Fund" (the "Reserve Fund") to be kept separate and apart from all other funds of the District. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/60th of the difference between the Reserve Fund Requirement and the amount in said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in said Fund shall be replenished over a period of not greater than sixty (60) consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. All deposits to the Reserve Fund shall be made from the first money in the Revenue Fund thereafter received which shall not then be required to pay Current Expenses, to be transferred into the Bond Fund, or to be paid to the Reserve Fund Credit Facility Issuer or Issuers as above provided. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the Bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the District for legally permissible purposes.

At the option of the District, the District may satisfy the Reserve Fund Requirement, or a portion thereof, by providing for the benefit of owners of the Bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to the Bonds, and upon provision thereof release an equal amount of funds on deposit in the Reserve Fund to be used by the District for legally permissible purposes. In the event any Reserve Fund Credit Facility Issuer, or any successor thereto, shall cease to have a rating required for a Reserve Fund Credit Facility Issuer or any Reserve Fund Credit Facility becomes unenforceable for any reason, within ninety (90) days from the date the District receives notice of either of said events, the District shall either substitute a new Reserve Fund Credit Facility or Facilities or commence funding the Reserve Fund from Net Revenues as required by the preceding paragraph hereof, or a combination thereof. At any time during the term hereof, the District shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event the Reserve Fund Requirement is increased or a Reserve Fund Requirement is established (if there is no Reserve Fund Requirement for the Bonds) in connection with the issuance of Parity Bonds

pursuant to the restrictive provisions of Section 11 hereof that are payable from funds in the Reserve Fund or in the event of the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the District shall satisfy the Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the Reserve Fund Requirement for the Bonds and any such Parity Bonds, as applicable, taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect. The President and General Manager, or either of them, are authorized to act for the District in determining whether to provide the Reserve Fund Credit Facility for the Bonds.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the District, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the District, from Gross Earnings after payment of Current Expenses and payment of required deposits to the Bond Fund as specified in this resolution and, if applicable, each bond resolution authorizing the issuance of Parity Bonds pursuant to the restrictive provisions of Section 11 hereof, shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, if any, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of Section 14 hereof, the terms, covenants, liability, and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability, and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the District shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this resolution other than remedies that would adversely affect owners of Bonds.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

The President and General Manager, or either of them, are hereby authorized and directed to either (i) cause to be deposited to the Reserve Fund Bond proceeds or other funds of the District in an amount sufficient to cause the amount being held in the Reserve Fund created pursuant to this Section 7(d) to be equal to the Reserve Fund Requirement, if any, for the Bonds or (ii) purchase a Reserve Fund Credit Facility in the amount of the Reserve Fund Requirement for the Bonds and to pay the premium therefor from Bond proceeds. In the event the President and the General Manager, or either of them, elect to fund the Reserve Fund with a Reserve Fund Credit Facility, he or she is authorized to execute and the Secretary is authorized to attest a Financial Guaranty Agreement as required by the Reserve Fund Credit Facility Issuer.

(e) Termination Payments received in connection with a Hedge Agreement shall be deposited to the Revenue Fund, and Termination Payments required of the District in connection with a Hedge Agreement shall be paid as a subordinate lien obligation pursuant to subsection (f) hereof.

(f) The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by the District for any legally permissible purpose, as the Governing Body shall determine.

(g) Money on deposit in the funds described in this Section may be invested by the District in such investments as shall be permitted by applicable law, as determined by an authorized representative of the District, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be

liquidated and the proceeds thereof applied to the purpose for which the respective fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature more than two years from the date the money is so invested. The District is authorized to enter into contracts with third parties for the investment of funds in any of the funds described herein.

(h) The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the District and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

8. Charges for Services Supplied by the System. While the Bonds remain outstanding and unpaid, the District covenants and agrees that it will permit no free service to be furnished to any consumer or user whatsoever; that the charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining, operating, repairing, and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of this resolution.

The District covenants that the System will be operated on a fully metered basis and that the District will bill customers of the System on a monthly basis and, to the extent permitted by applicable law or regulation, will discontinue service to any customer whose bill remains unpaid sixty (60) days following the mailing of such bill, until such bill, service charges, and penalties shall have been paid in full.

9. Covenants Regarding the Operation of the System; Rate Covenant. The District hereby covenants and agrees with the owners of the Bonds so long as any of the Bonds shall remain outstanding:

(a) The District shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost and conduct all activities associated therewith or incident thereto.

(b) The District shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, *provided*, the District shall not be required to insure beyond the limits of immunity provided by the Tennessee Governmental Tort Liability Act, Sections 29-20-101 *et seq.* of Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

(c) The District will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the District as certified by such accountant or accountants. Each report of such audit, in addition to whatever matters may be thought proper to be included therein by the accountant or accountants preparing the same, shall include the following:

(i) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;

(ii) A statement showing beginning and ending balances of each Fund described herein;

(iii) A balance sheet as of the end of the Fiscal Year;

(iv) The accountant's comments regarding the manner in which the District has carried out the requirements of this resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;

(v) A list of insurance policies in force at the end of the Fiscal Year, setting out as to each

policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;

(vi) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;

(vii) The disposition of any Bond proceeds during the Fiscal Year; and,

(viii) A statement as to all breaches or defaults hereunder by the District of which the accountant or accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

(d) All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Current Expenses. The District further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within one hundred eighty (180) days after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the District relating thereto, to the extent such disclosure is not affirmatively prohibited by applicable law. If the District fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the District.

(e) The District will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will apply the revenues of the System to the purposes and Funds specified in this resolution, and, if applicable, the Prior Resolutions and all other bond resolutions authorizing the issuance of Parity Bonds.

(f) The District shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

(i) for 110% of the Current Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the District; and

(ii) such that Net Revenues in each Fiscal Year:

(A) equal at least 110% of the Debt Service Requirement on all Bonds, and 110% of the Debt Service Requirement on all other bonds or other obligations then outstanding for such Fiscal Year;

(B) will enable the District to make all required payments, if any, into the Reserve Fund and on any Credit Facility or Hedge Agreement;

(C) will enable the District to accumulate an amount, which, in the judgment of the District, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;

(D) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in this resolution from prior Fiscal Years; and,

(E) will permit the District to comply with the terms of any agreement that the District has entered into to purchase or sell water.

(g) The District will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; *provided*, however, the use of any of the System facilities may at any time be permanently abandoned or any of the System facilities sold at fair market value, *provided that*:

(i) The District is in full compliance with all covenants and undertakings in connection with all bonds, notes, and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes, and other obligations have been fully established and contributions thereto are current;

(ii) Any sale proceeds will be applied either (A) to redemption of the bonds, notes, and other obligations then outstanding and payable from the revenues of the System in accordance with the provisions governing repayment of such bonds, notes, and other obligations then outstanding and payable from the revenues of the System in advance of maturity, or (B) to the purchase of such bonds, notes, and other obligations then outstanding and payable from the revenues of the System at the market price thereof so long as such price does not exceed the amount at which such bonds, notes, and other obligations then outstanding and payable from the revenues of the System could be redeemed on such date or the next optional redemption date as set forth herein or in the resolution(s) authorizing such bonds, notes, and other obligations then outstanding and payable from the revenues of the System, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

(iii) The abandonment, sale, or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System and the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale, or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and,

(iv) The District shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage, or other disposition will not jeopardize the exclusion from federal income taxation of interest on any such bonds, notes, and other obligations then outstanding and payable from the revenues of the System intended to be excludable from gross income for federal income tax purposes.

(h) Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

(i) Prior to the beginning of each Fiscal Year, the Governing Body shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant set forth in subsection (f) above, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request. The District covenants that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that the District will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution of the Governing Body.

(j) All officers or employees of the District or persons other than banks or other financial institutions having custody of funds of the District shall be under fidelity bond at all times in reasonable and customary amounts.

(k) The District will not construct, finance, or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the District by any other public or private entity and will take all steps necessary and proper, including appropriate legal action, to prevent any such entity from providing such service; *provided*, however, that nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

(l) For the purpose of assuring the efficient, impartial, and non-political operation of the System for the benefit of the District and the owners of the Bonds from time to time outstanding, the complete and independent control and operation of the System shall continue to be vested in the Governing Body, subject, however, to the obligation and duty on the part of the Governing Body to carry out and perform faithfully all of the covenants and agreements contained herein. It is agreed with the owners from time to time of the Bonds and made a part of the contract rights which will vest in such owners at the time of delivery of the Bonds that the System will be so operated by the Governing Body.

(m) The District shall not enter into a Hedge Agreement with any entity, other than an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or

whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed or insured or collateralized by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the second highest Rating category of at least two Rating Agencies (ignoring any gradations within a Rating category). For purposes of this Section, a potential hedge provider's qualification with the requirements of the preceding sentence shall be determined only at the time the District enters into a Hedge Agreement with such entity and will not be redetermined with respect to that Hedge Agreement.

10. Remedies of Bond Owners. Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the District by the provisions of this resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms hereof.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the District with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Current Expenses, and to apply the income and revenues thereof in conformity with the provisions of this resolution.

11. Parity Bonds. The District will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on parity with the Bonds under the following conditions but not otherwise:

(a) Additional bonds, notes, Loan Agreements, or obligations may be issued on a parity with the Bonds and other Parity Bonds without regard to the requirements of subsection (c) of this Section, if such bonds, notes, Loan Agreements, or obligations shall be issued for the purpose of refunding any of the Bonds or other Parity Bonds which shall have matured or become subject to mandatory redemption, or which shall mature or shall become subject to mandatory redemption not later than three (3) months after the date of delivery of such refunding bonds, notes, Loan Agreements, or obligations and for the payment of which insufficient money is available in the Bond Fund.

(b) Additional bonds, notes, Loan Agreements, or obligations may be issued on a parity with the Bonds and other Parity Bonds without regard to the requirements of subsection (c) of this Section, if such bonds, notes, Loan Agreements, or obligations shall be issued for the purpose of refunding any outstanding Bonds or other Parity Bonds under circumstances not resulting in the defeasance of all of the Bonds and other Parity Bonds pursuant to Section 14 hereof or, as applicable, the appropriate provisions of the bond resolution(s) authorizing the issuance of such other Parity Bonds, provided the Maximum Annual Debt Service Requirement computed with respect to the Bonds and all other Parity Bonds to be outstanding as of the date of issuance of such additional bonds, notes, Loan Agreements, or obligations (and after giving effect to the application of the proceeds thereof) shall not be greater than 1.10 times the Maximum Annual Debt Service Requirement computed with respect to the Bonds and all other Parity Bonds outstanding as of the date immediately preceding the issuance of such additional bonds, notes, Loan Agreements, or obligations.

(c) For the purpose of refunding any outstanding Bonds or other Parity Bonds, under circumstances not resulting in the defeasance of all of the Bonds and other Parity Bonds pursuant to Section 14 hereof or, as applicable, the appropriate provisions of the bond resolution(s) authorizing the issuance of such other Parity Bonds, and/or extending, improving, or replacing the System, and/or acquiring an Acquired System or any additional System improvements, if all of the following conditions shall have been met:

(i) Either:

(A) The actual Net Revenues of the System for twelve consecutive months of the twenty-four months next preceding the issuance of the proposed additional bonds, notes, Loan Agreements, or obligations must have been equal to at least 1.10 times the Maximum Annual Debt Service Requirement computed with respect to the bonds, notes, Loan Agreements, or obligations proposed to be issued and the Bonds and all other Parity Bonds other than the Bonds or other

Parity Bonds intended to be refunded by the proposed additional bonds, notes, Loan Agreements, or obligations, plus the amounts payable to the Reserve Fund pursuant to the requirements hereof and amounts payable under any Financial Guaranty Agreement and in connection with any Reserve Fund Credit Facility; or

(B) The Net Revenues of the System for twelve consecutive months of the twenty-four months following the issuance of the proposed additional bonds, notes, Loan Agreements, or obligations, as estimated by the District using the then existing schedule of rates for the System, must be equal at least to 1.10 times the Maximum Annual Debt Service Requirement computed with respect to the bonds, notes, Loan Agreements, or obligations proposed to be issued and the Bonds and all other Parity Bonds other than the Bonds or other Parity Bonds intended to be refunded by the proposed bonds, notes, Loan Agreements, or obligations, plus the amounts payable to the Reserve Fund pursuant to the requirements hereof and amounts payable under any Financial Guaranty Agreement and in connection with any Reserve Fund Credit Facility; *provided*, further, that if prior to the issuance of such additional bonds, notes, Loan Agreements, or obligations the District shall have adopted a revised schedule of rates for the System and resolved to put such rate schedule into effect during such period of twenty-four months following the issuance of the additional bonds, notes, Loan Agreements, or obligations, then the estimated Net Revenues for such twelve consecutive month period, as certified by an independent engineer or engineering firm or a nationally recognized firm of financial feasibility consultants having a favorable reputation for skill and experience in the financial feasibility of waterworks systems, that would have resulted from such revised rates to be in effect for such period, may be used in lieu of the estimated Net Revenues for such twelve consecutive month period using the then existing schedule of rates for the System.

(ii) The payments required to be made into the Bond Fund and the Reserve Fund must be current and all payments under any Financial Guaranty Agreement or with respect to a Reserve Fund Credit Facility must be current; and,

(iii) The proceeds of the additional bonds, notes, Loan Agreements, or obligations may be used only to (1) make improvements, extensions, renewals, or replacements to the System or to refund the Bonds, other Parity Bonds, or subordinate lien obligations, (2) fund necessary reserves related thereto, (3) fund capitalized interest related to the additional bonds, notes, Loan Agreements, or other obligations and (4) pay the costs and expenses of issuance and sale of the additional bonds, notes, Loan Agreements, or obligations.

(d) All the provisions and covenants of this resolution relating to negotiability and registration of the Bonds and Parity Bonds permitted under this Section 11, creation and investment of funds, the application of revenues, the operation of the System, charges for services of the System, the remedies of owners of the Bonds and Parity Bonds permitted under this Section 11, the issuance of additional bonds, notes, Loan Agreements, or obligations, modification of this resolution, the defeasance of the Bonds and Parity Bonds permitted under this Section 11, and such other provisions hereof as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, notes, Loan Agreements, or obligations, and said provisions, when so incorporated, shall be equally applicable to the additional bonds, notes, Loan Agreements, or obligations issued in compliance with the terms of this Section in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such additional bonds, notes, Loan Agreements, or obligations remain outstanding.

12. Sale of the Bonds.

(a) The Bonds may be sold at either competitive or negotiated sale such as is authorized by the Act, as determined by the President and the General Manager, or either of them, in consultation with the Original Purchaser and the Municipal Advisor, based on market conditions and other factors deemed relevant at the time, in one or more series, at a price of not less than ninety-seven percent (97%) of par, plus accrued interest, as a whole or in part, from time to time, as shall be determined by the President and the General Manager, or either of them, in consultation with the Original Purchaser and the Municipal Advisor. Notwithstanding the foregoing (i) particular Bonds may be sold at a price below that herein specified, as long as the total price paid for the Bonds by the Original Purchaser shall be not less than ninety-seven percent (97%) of the par value of the entire issue of Bonds and accrued interest, and (ii) if any part of the Bonds are to be sold at a zero (0) rate of interest or at an original issue discount, such Bonds may be sold at not less than ninety-seven percent (97%) of the original reoffering price of such discount

Bonds and accrued interest.

(i) If the Bonds are to be sold at a public, competitive sale, the following provisions shall apply: The President and the General Manager, or either of them, are hereby authorized to publish a Summary Notice of Sale of the Bonds and to distribute to purchasers of and investors in the Bonds an Official Notice of Sale of the Bonds. The forms of Summary Notice of Sale and Official Notice of Sale as published and distributed shall be in such form as shall be approved by the President and the General Manager, or either of them, upon the advice of counsel (including the District's counsel and Bond Counsel) and the Municipal Advisor, which approval shall be conclusively evidenced by their publication and distribution, as applicable.

(ii) If the Bonds are to be sold at a negotiated sale, the following provisions shall apply: The President and the General Manager, or either of them, are hereby authorized to negotiate with one or more underwriters to be designated as Original Purchaser(s) for the Bonds, with respect to the purchase and sale of the Bonds. The President and the General Manager, or either of them, are hereby authorized and directed to execute and deliver to the underwriter(s) a Bond Purchase Agreement, having such terms as shall be determined by the President and the General Manager, or either of them, in accordance with the terms of this resolution, together with such changes as shall be approved by the President and the General Manager, or either of them, upon the advice of counsel (including the District's counsel and Bond Counsel) and the Municipal Advisor, such approval to be conclusively evidenced by the execution thereof.

(b) If the Bonds are sold in more than one series, the President and the General Manager, or either of them, are authorized to cause to be sold in each series an aggregate principal amount of Bonds less than that shown herein for each series, and to make corresponding adjustments to the maturity schedule of each series designated herein, so long as the total aggregate principal amount of all series issued does not exceed the maximum aggregate amount of Bonds authorized to be issued herein.

(c) The President and the General Manager, or either of them, in consultation with the Municipal Advisor, are further authorized to:

(i) change the dated date or dates of the Bonds or any series thereof to a date other than their date of issuance;

(ii) change the designation of the Bonds, or any series thereof, to a designation other than "Series 2025 Bonds" or "Bonds";

(iii) change the first interest payment date on the Bonds or any series thereof to a date other than October 1, 2025, provided that such date is not later than twelve months from the dated date of the Bonds;

(iv) adjust the principal and interest payment dates and maturity dates and amounts of the Bonds or any series thereof and to sell less than the full par amount of the Bonds herein authorized, provided that (A) the total principal amount of all series of the Bonds does not exceed the maximum aggregate amount of Bonds authorized herein, (B) the first maturity date of the Bonds or any series thereof is a date not earlier than October 1, 2025, and (C) the final maturity date of each series shall not exceed thirty (30) years plus the increment from the dated date of each such series to first (1st) interest payment date;

(v) change the District's optional or mandatory redemption provisions of the Bonds, subject to the following:

(A) the premium amount to be paid on Bonds or any series thereof in connection with exercise of any optional right of redemption shall not exceed one hundred ten percent (110%) of the principal amount thereof; and

(B) the Bonds shall be subject to optional redemption prior to maturity beginning no later than with Bonds maturing on October 1, 2030;

(vi) sell the Bonds, or any series thereof, or any maturities thereof as term bonds with mandatory redemption requirements corresponding to the maturities set forth herein or as otherwise determined by the President and the General Manager, or either of them, as shall be deemed most advantageous to the District;

(vii) cause all or a portion of the 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 the District and to enter into agreements with such insurance company with respect to any Bonds to the extent not inconsistent with this resolution; and

(viii) determine the Reserve Fund Requirement for the Bonds, if any.

(d) The President and the General Manager, or either of them, are authorized to adopt such statements of "official intent," as that expression is defined by Regulations § 1.150-2, in such form as they or either of them shall deem expedient, such that any of the Bonds may be "reimbursement bonds" as defined therein, and the proceeds thereof used to reimburse the District for any "original expenditure" and/or "preliminary expenditure," as those terms are also defined in Regulations § 1.150-2, in connection with any of the Projects. Any "official intent" executed by the President or the General Manager in relation to any of the Projects prior to the adoption of this resolution is hereby ratified and affirmed as the act and deed of the Governing Body, as of the date such "official intent" was so executed by the President or the General Manager. To the extent that no previous "official intent" has been adopted prior to the adoption of this resolution, this resolution shall constitute an "official intent" to reimburse the District for such "original expenditure(s)" and/or "preliminary expenditure(s)". The President and the General Manager, or either of them, are authorized to execute and implement any "reimbursement allocation," as that expression is defined in Regulations § 1.150-2, in respect of any proceeds of any of the Bonds.

(e) The President and the General Manager, or either of them, are authorized to sell the Bonds, or any series thereof, simultaneously with any other bonds or notes authorized by resolution or resolutions of the Governing Body. The President and the General Manager, or either of them, are further authorized to sell the Bonds, or any series thereof, as a single issue of bonds with any other bonds with substantially similar terms authorized by resolution or resolutions of the Governing Body, in one or more series as he or they shall deem to be advantageous to the District and in doing so, the President and the General Manager, or either of them, are authorized to change the designation of the Bonds to a designation or designations other than "Series 2025 Bonds" or "Bonds"; *provided*, however, that the total aggregate principal amount of combined bonds to be sold does not exceed the maximum aggregate principal amount of Bonds authorized by this resolution and of the bonds authorized by any other resolution or resolutions adopted by the Governing Body.

(f) The President and the General Manager, or either of them, are authorized to award the Bonds, or any series thereof, to the bidder whose bid results in the lowest true interest cost to the District, provided the rate on each maturity of the Bonds shall not exceed the lesser of 7.00 percent per annum or the maximum rate permitted by law. The award of the Bonds by the President and the General Manager, or either of them, to the lowest bidder shall be binding on the District, and no further action of the Governing Body with respect thereto shall be required. The form of the Bond set forth in Section 5 hereof, shall be conformed to reflect any changes made pursuant hereto.

(g) The President and the General Manager, or either of them, are authorized to cause the Bonds, in Book-Entry Form (except as otherwise permitted herein), to be authenticated and delivered by the Registrar to the successful bidder and to execute, publish, and deliver all certificates and documents, including an official statement and closing certificates, as they shall deem necessary in connection with the sale and delivery of the Bonds.

(h) The President and the General Manager, or either of them, are authorized to designate the Bonds or any portion thereof as "qualified tax-exempt obligations," as defined in Section 265(b)(3) of the Code, to the extent the Bonds are not deemed designated as such and, as determined after consultation with Bond Counsel, may be designated as such.

(i) The President and the General Manager, or either of them, are authorized, upon consultation with the Municipal Advisor, to issue any portion of the Bonds as a separate series of federally-taxable obligations.

(j) The District acknowledges receipt from the Municipal Advisor or Original Purchaser of pertinent fee information and estimated expenses associated with the negotiated sale and issuance of the Bonds.

(k) Without limiting the foregoing provisions of this Section 12, the President and the General Manager, or either of them, in consultation with the Municipal Advisor and the Original Purchaser (if any), based on market conditions and other factors deemed relevant at this time, are authorized to determine whether the Bonds or any series of Bonds shall be issued or not.

(l) If any of the determinations made by the President and the General Manager, or either of them, as contemplated in this Section 12, are not set forth in the Bond Purchase Agreement or another closing document, there shall be included in the transcript of closing documents for the Bonds a written certification specifying and evidencing all such determinations which have been made.

13. Disposition of Bond Proceeds. The proceeds of the sale of the Bonds shall be used and applied as follows:

(a) All amounts received on the date of issuance of the Bonds as accrued interest shall be deposited to the Bond Fund to be used to pay interest on the Bonds on the first interest payment date following delivery of the Bonds.

(b) An amount equal to the costs of issuance of the Bonds shall be disbursed to those providers of services in connection with the issuance of the Bonds, in conformity with the terms, covenants, and conditions of the District's agreements with those providers.

(c) In the event the President and the General Manager, or either of them, determines that it is not in the best interest of the System and the District to satisfy the Reserve Fund Requirement, if any, with a Reserve Fund Credit Facility, there shall be deposited to the Reserve Fund Bond proceeds or other funds of the District in an amount sufficient to cause the amount being held in any Reserve Fund created pursuant to Section 7(d) hereof to be equal to the Reserve Fund Requirement for the Bonds.

(d) All remaining amounts received on the date of the Bonds' issuance in excess of the amounts described in Sections 13(a) through 13(c) above inclusive shall be deposited into one or more Project Fund(s), for use in construction of the Projects, or for reimbursement of such "original expenditures" or "preliminary expenses" in respect of the Project(s) as shall have been authorized for reimbursement as set forth in Section 12(d) above, or otherwise as provided in the Regulations. Money in a Project 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 such Project Fund. Monies in a Project Fund shall be invested as directed by an authorized representative of the District in such investments as shall be permitted by Tennessee law. All income derived from such investments shall be retained in the applicable Project Fund. Any funds remaining in a Project Fund after completion of the Project(s) funded therefrom and payment of authorized expenses in connection therewith shall be deposited to the Bond Fund.

14. Discharge and Satisfaction of Bonds. If the District shall pay and discharge the indebtedness evidenced by all or any portion of 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 trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an "Agent"), which 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 monies 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 the District shall also pay or cause to be paid all other sums payable hereunder by the District with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow 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, agreements, and obligations of the District to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate, and become void.

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

Except as otherwise provided in this Section, neither Defeasance Obligations nor monies deposited with the Agent or Registration Agent, as applicable, pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal 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 the District 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 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 such interest will not be required at any time for such purpose, shall be paid over to the District, as received by the Agent.

15. Modification of Resolution.

(a) This resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission herein; *provided*, however, such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

(b) In addition to the amendments to this resolution without the consent of registered owners as referred to in subsection (a) above, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the District but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the District) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in this resolution; *provided*, however, that this resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

- (i) make any change in the maturities or redemption dates of the Bonds;
 - (ii) make any change in the rates of interest borne by the Bonds;
 - (iii) reduce the amount of the principal payments or redemption premiums payable on the Bonds;
 - (iv) modify the terms of payment of principal of or interest on the Bonds or impose any conditions with respect to such payments;
 - (v) affect the rights of the registered owners of less than all of the Bonds then outstanding;
- or,
- (vi) reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

(c) Whenever the District shall propose to amend or modify this resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the registered owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the District for public inspection.

(d) Whenever at any time within one year from the date of mailing of said notice there shall be filed with the Secretary an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the District may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

(e) If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding as in this Section defined, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered

owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent (except a permissible revocation as provided in the next paragraph of this Section), shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the District from taking any action pursuant to the provisions thereof.

(f) Any consent given by the registered owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice above provided for and shall be conclusive and binding upon all future registered owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of publication of such notice by the registered owner who gave such consent or by a successor in title by filing notice of such revocation at the District office, but such revocation shall not be effective if the registered owners of a majority in aggregate principal amount of the Bonds outstanding as in this Section defined (including those Bonds for which an attempt is subsequently made to revoke such consent) shall have, prior to the attempted revocation, consented to and approved the amendatory resolution referred to in such revocation.

(g) The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him or her the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

(h) The amount (number(s)) of the Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

16. Official Statement. The President and the General Manager, or either of them, are hereby authorized and directed to provide for the preparation and distribution of a Preliminary Official Statement describing the Bonds and the District. The President and the General Manager, or either of them, 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 the General Manager, or either of them, shall arrange for the delivery to the Original Purchaser of the Bonds of a reasonable number of copies of the Official Statement within seven business days after the Bonds have been sold for delivery by the Original Purchaser to each potential investor requesting a copy of the Official Statement.

The President and the General Manager, or either of them, are authorized, on behalf of the District, 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 District except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 17. Federal Tax Covenants. The District recognizes that the purchasers and holders of the Bonds will have accepted them on, and paid therefor a price that reflects, the understanding that interest thereon is excluded from gross income for purposes of federal income taxation under laws in force on the date of delivery of the Bonds. Accordingly, the District agrees that it shall take no action that may render the interest on any of said Bonds subject to federal income taxation. It is the reasonable expectation of the Governing Body that the proceeds of the Bonds will not be used in a manner which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and to this end the said proceeds of the Bonds and other related funds established for the purposes herein set out, shall be used and spent expeditiously for the purposes described herein. The Governing Body further covenants and represents that in the event it shall be required by Section 148(f) of the Code to pay any investment proceeds of the Bonds to the United States government, it will make such payments as and when required thereby and will take such other actions as shall be necessary or permitted to prevent the interest on the Bonds from becoming subject to inclusion in the gross income for purposes of federal income taxation. The President and the General Manager, or either of them, is authorized to adopt such post-issuance compliance policy in respect of tax-exempt obligations as will ensure the District's continuing compliance with its obligations in respect of the Bonds and other tax-exempt obligations on an on-going basis. The President and the General Manager, or either of them, is authorized and directed to make such certifications in this regard in connection with the sale of the Bonds as any or all shall deem appropriate, and such certifications shall constitute a representation and certification of the District. The provisions of this Section shall not apply to those Bonds, if any, issued as federally-taxable obligations.

Section 18. Continuing Disclosure. The District hereby covenants and agrees that it will provide financial information and material event notices if and as required by Rule 15c2-12 of the Securities and Exchange Commission for the Bonds. The President and the General Manager, or either of them, are authorized to execute at the closing of the sale of the Bonds, an agreement for the benefit of and enforceable by the owners of the Bonds specifying the details of the financial information and material event notices to be provided and its obligations relating thereto. Failure of the District 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 the District to comply with its undertaking as set forth herein and in said agreement, including the remedies of mandamus and specific performance.

Section 19. Resolution a Contract. The provisions of this resolution shall constitute a contract between the District and the registered owners of the Bonds, and after the issuance of the Bonds, no change, variation, or alteration of any kind in the provisions of this resolution shall be made in any manner, except as provided in Section 15 hereof, until such time as the Bonds shall have been paid in full or discharged pursuant to Section 14 hereof.

Section 20. Repeal of Conflicting Resolutions and Effective Date; Re-Affirmation. 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. All acts and transactions of the District, its commissioners, officers, attorneys, advisors, and other representatives, which have occurred or been performed in respect of the indebtedness described and contemplated in this resolution are ratified and re-affirmed.

Section 21. 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.

(SIGNATURES ON FOLLOWING PAGE)

Adopted and approved this 19th day of May, 2025.



President

ATTEST:


Secretary

(SEAL)

RatingsDirect®

Summary:

Ocoee Utility District, Tennessee; Water/Sewer

Primary Credit Analyst:

Malcolm N D'Silva, Englewood + 1 (303) 721 4526; malcolm.dsilva@spglobal.com

Secondary Contact:

Edward R McGlade, New York + 1 (212) 438 2061; edward.mcglade@spglobal.com

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Credit Highlights

Outlook

Related Research

Summary:

Ocoee Utility District, Tennessee; Water/Sewer

Credit Profile		
Ocoee Util Dist of Bradley & Polk Cntys WS (BAM)		
Unenhanced Rating	A+(SPUR)/Negative	Outlook Revised
Ocoee Util Dist of Bradley & Polk Cntys WTRSWR		
Long Term Rating	A+/Negative	Outlook Revised
Ocoee Util Dist of Bradley & Polk Cntys WTRSWR		
Long Term Rating	A+/Negative	Outlook Revised
Ocoee Util Dist wtrwks		
Long Term Rating	A+/Negative	Outlook Revised

Many issues are enhanced by bond insurance.

Credit Highlights

- S&P Global Ratings revised its outlook to negative from stable and affirmed its 'A+' rating on Ocoee Utility District, Tenn.'s existing waterworks revenue bonds and water and wastewater refunding and improvement bonds.
- The outlook revision reflects our view of the utility system's recent increase in operational costs that have reduced financial margins to narrow levels in the past two fiscal years.

Security

The bonds are secured by a net revenue pledge of district operations. Credit provisions are neutral, in our view.

Credit overview

The rating is underpinned by the district's service-area growth that will improve its financial profile, supported by rate increases in 2024. The district has ample supply to meet demand but requires upgrades due to growth and aging infrastructure. In recent years, the district has dealt with the degradation of some of the water pipes within its system, which have been replaced as they failed, pushing operating expenses up and leading to a fluctuating adjusted coverage and liquidity position. Management used the proceeds from the series 2022 bonds and grant monies to correct liquidity issues and to prepurchase the replacement pipes upfront to avoid increases in supplies in the near term. With the debt restructuring and recent rate increases, management anticipates that coverage will return to historical levels. The rating is also influenced by the recently approved rate plan and growth in the service area that will enhance service charges and revenue trends in the future.

In our view, the key risks to the district's credit quality focus on its ability to manage customer growth and meet infrastructure-improvement objectives for planned capital projects. In our view, rising cost-of-service expenses also remain persistent risks. In recent years, expenses grew due to high cost of water purchases. However, capital plans currently focus on pipe replacement and doubling capacity at the Wildwood Springs and Old Parksville water treatment plants that will reduce water purchase costs and accommodate future growth. Management indicated that

treatment plant improvements will be funded primarily through partnerships with the U.S. Department of Agriculture's (USDA) Rural Development. We believe management's success in securing grants from USDA Rural Development programs help temper risks from implementing a moderately sized capital improvement program (CIP).

Other rating factors include the district's:

- Diverse and steadily growing customer base that participates in the Cleveland metropolitan statistical area (MSA), with adequate income levels;
- Competitive water and sewer rates providing the utility's additional revenue-raising flexibility;
- Good operational management, with more than sufficient treatment capacity, and credit-supportive automatic annual rate adjustments;
- All-in coverage metrics and liquidity position, which are expected to improve with the recent rate increases; and
- Standard financial management practices and policies.

Environmental, social, and governance

We analyzed the district's environmental, social, and governance (ESG) factors relative to its enterprise and financial risk profiles and view these risks as neutral in our credit rating analysis. Although the district does not maintain formal drought or flooding contingency planning, the service area does not face high risk and management has mitigated any future effects through secured emergency capacity at neighboring water plants. The systems have built-in redundancies and backup generators in case of tornadoes. We do not consider social risks as significantly elevated, as incomes are adequate compared with the national average and rates are considered affordable. In addition, we believe governance factors are firmed by the recent credit-supportive rate plan.

Outlook

The negative outlook reflects our view that there is a one-in-three chance that rising fixed costs could result in diminished financial capacity that would no longer be consistent with the current rating.

Downside scenario

We anticipate that management will continue to adjust rates as necessary to meet future capital needs and sustain liquidity at current, moderate levels. We could lower the rating if coverage and liquidity reserves show similar volatility as seen in recent years or significantly decline, despite rate adjustments.

Upside scenario

We could raise the rating in the long-term, if the district's economic profile significantly strengthens, as demonstrated by rising incomes while maintaining financial metrics at a level that we consider sustainable as it progresses through its CIP. We anticipate that ongoing growth shares in the cost of related capital investments, and we expect that the district will adjust its rate plans to consider actual service-area growth and service demands.

Ocoee Utility District, Tenn.--Economic and financial data

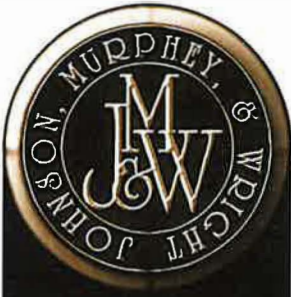
		Fiscal year-end			
		Most recent	2023	2022	2021
Economic data					
Water customers	8,099				4,745
MHHEBI of the service area as % of the U.S.	85.0				82.0
Unemployment rate (%)	3.5				4.0
Poverty rate (%)	13.1				12.7
Water rate (6,000 gallons or actual) (\$)	64.8				42.0
Sewer rate (6,000 gallons or actual) (\$)	63.2				42.0
Annual utility bill as % of MHHEBI	2.8				1.4
Operational Management Assessment	Good				Standard
Financial data					
Gross revenues (\$000s)		5,852	5,118	5,043	4,623
Total operating expenses less depreciation (\$000s)		5,146	3,772	3,121	2,891
Net revenues available for debt service (\$000s)		1,190	1,750	2,292	--
Debt service (\$000s)		1,664	1,278	1,245	--
S&P Global Ratings-adjusted all-in DSC (x)		0.7	1.4	1.8	1.6
Unrestricted cash (\$000s)		3,553	247	468	3,095
Days' cash of operating expenses		252	24	55	409
Total on-balance-sheet debt (\$000s)		28,284	28,722	19,060	10,166
Debt-to-capitalization ratio (%)		74.1	71.9	62.7	43.8
Financial Management Assessment	Standard	--	--	--	Standard

Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.



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Stuart Johnson, CPA

Kidwell & Company
132 Hampton Place
Nashville, TN 37215

May 16, 2025

Dear Larry:

The June 30, 2023 audit for Ocoee Utility District was prepared by another firm. It was not completed until October 1, 2024 (16 months). This delayed the start of our audit for June 30, 2024 until November 18, 2024. After we started, they had their completed audit report on January 16, 2025 (2 months). The Tennessee Comptroller's office confirmed receipt of the report on January 30, 2025.

The June 30, 2025 audit is scheduled for August 6th and 7th, and the report should be released before October 31, 2025.

Yours truly,

Paul Johnson, III, CPA President
Johnson, Murphey & Wright, P.C.

BEFORE THE TENNESSEE UTILITY MANAGEMENT REVIEW BOARD

IN THE MATTER OF:

**OCOEE
UTILITY DISTRICT**

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TENN. CODE ANN. § 7-82-703

ORDER

On March 13, 2025, the Tennessee Utility Management Review Board (“the Board”) reviewed the financially distressed status of Ocoee Utility District (the “Entity”), pursuant to Tenn. Code Ann. § 7-82-703. The Entity has returned its financial distress questionnaire to Board staff. Board staff relayed the following: the Entity is currently purchasing excessive amounts of water from other utilities due to the degradation of their current infrastructure; the Entity reported they are executing a \$30,000,000 USDA Rural Development Loan and have received a grant of \$5,000,000 to go towards the development of a new water plant that should alleviate the amount of water purchased; the Entity plans to adjust rates quarterly over the next year; and the Entity is conducting a rate study that incorporates these new projects.

Based on Board staff’s representations and recommendations, the Board orders as follows:

1. The Entity shall have the Tennessee Association of Utility Districts or another qualified expert as approved by Board staff, perform a rate study that includes the following:
 - a. A review of the capitalization policy, including any recommended modifications;
 - b. A review of the debt management policy, including any recommended modifications;

- c. The creation of a five-year capital asset budget, to be taken from the current capital asset list and to include future anticipated needs;
 - d. A review of relevant utility fees including but not limited to connection or tap fees, including any recommended modifications;
 - e. Verification that all governing body members of the utility are in compliance with all relevant training requirements;
 - f. A review of the leak adjustment policy, including any recommended modifications or adoption of such policy should one not exist.
- 2. By April 30, 2025, the Entity shall provide Board staff with the copy of the contract between the Entity and the qualified expert who is to perform the tasks in provisions 1.
 - 3. By June 30, 2025, the Entity shall provide Board staff with the completed rate study and either proof of implementation of the resulting recommendations or a proposed plan of implementation.
 - 4. Board staff is given the authority to grant up to two extensions of up to six months of the foregoing deadlines upon a showing of good cause by the Entity.

ENTERED this 11 day of April, 2025.



Greg Moody, Chair
Tennessee Board of Utility Regulation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served via certified mail return receipt requested to the following on this 11 day of April, 2025:

Ocoee Utility District
PO Box 305
Cleveland, TN 37361


Seth May
Assistant General Counsel

Tennessee Local Development Authority



Debt Management Policy

Prepared by:

Division of State Government Finance

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Debt Management Policy

Introduction

In 1978, the Tennessee General Assembly (the “General Assembly”) created the Tennessee Local Development Authority (the “Authority”) pursuant to Sections 4-31-101 et seq., Tennessee Code Annotated (Tenn. Code Ann.). The Authority is a corporate governmental agency and instrumentality of the State of Tennessee (the “State”). The Authority is comprised of the Governor, the Secretary of the State, the State Comptroller of the Treasury, the State Treasurer, the Commissioner of Finance and Administration, a Senate appointee, and a House appointee. The Division of State Government Finance (SGF) serves as staff to and performs certain duties and functions for and at the direction of the Authority. SGF is responsible for managing the debt of the State, including the issuance of all bonds and notes and the repayment of such debt. The Director of SGF serves as the Assistant Secretary to the Authority.

The Authority is authorized to issue debt to (1) loan funds to local governments for sewage treatment and waterworks facilities (the “State Loan Programs”), energy recovery facilities and solid waste resource recovery, capital projects, firefighting equipment, and airport facilities; (2) loan funds to certain small business concerns for pollution control equipment; (3) make funds available for loans for agricultural enterprises; (4) make loans to not-for-profit organizations providing certain mental health, mental retardation, and alcohol and drug services; (5) make loans to local government units to finance construction of capital outlay projects for K-12 educational facilities; (6) make payment on covered claims against insurers operating in this state which have been deemed insolvent as the result of a natural disaster; and (vii) make the proceeds available to petroleum underground storage tank board for purposes of providing for the reimbursement of reasonable and safe cleanup of petroleum sites. The aggregate amounts outstanding for certain programs are limited as follows: \$10,000,000 for firefighting equipment; \$200,000,000 for airport facilities; \$50,000,000 for pollution control equipment; \$50,000,000 for mental health, and alcohol and drug services; \$30,000,000 for agricultural enterprises; \$15,000,000 for petroleum underground storage tank cleanup costs; and \$75,000,000 for capital outlay projects for K-12 educational facilities.

The Authority has only issued debt pursuant to the provisions of the TLDA State Loan Programs General Bond Resolution (the “Resolution”) adopted by the Authority on August 3, 1982, as amended, and supplemented and restated and readopted on March 14, 1985, and as amended on May 17, 1989. This policy applies only to that program. The TLDA has oversight for the State Revolving Fund and State Infrastructure loan programs; however, since debt is not issued for these programs, they are not included in this policy.

Purpose

A debt management policy is established to provide written guidance for a government regarding: the amount and type of debt that may be issued, the debt issuance process, management of the debt portfolio, the investment of bond proceeds, and compliance with regulatory authorities. A debt management policy tailored to the needs of the Authority: (1) identifies policy goals and demonstrates a commitment to long-term financial planning; (2) assists the Authority in its decisions concerning debt issuance; and (3) provides justification for the issuance and structure of the debt. The Authority’s compliance with its debt management policy indicates to the rating agencies and the capital markets that the Authority is well-managed with the ability to meet its obligations in a timely manner.

Annual costs related to debt are important financial considerations that impact the use of current resources. An effective debt management policy provides guidelines for the Authority to manage its debt program in line with those resources.

Goals and Objectives

The Authority has established this Debt Management Policy (the “Policy”) as a tool to ensure that financial resources are sufficient to fulfill the Authority’s long-term capital plan. In addition, the Policy helps to ensure that financings undertaken by the Authority satisfy certain clear objective standards designed to protect the Authority’s financial resources and to meet its long-term capital needs.

A. Policy Goals

- To document responsibility for the oversight and management of debt related transactions
- To define the types of debt approved for use within the constraints established by the General Assembly
- To define and establish the criteria for the issuance of debt
- To define the appropriate uses of debt
- To define and establish the criteria for the refunding of debt or the use of alternative debt structures
- To establish certain parameters to minimize the cost of issuing and servicing debt

B. Policy Objectives

- To establish clear criteria and promote prudent financial management for the issuance of all debt obligations
- To identify legal, financial, and administrative limitations on the issuance of debt
- To ensure appropriate legal use of the Authority’s debt issuance authority
- To ensure the Authority maintains appropriate resources and funding capacity for present and future capital needs
- To protect and enhance the Authority’s credit rating
- To evaluate and consider all possible debt issuance options
- To create and maintain transparency throughout the debt issuance and management process
- To promote cooperation and coordination with other stakeholders in the financing and delivery of services
- To manage interest rate exposure and other risks
- To comply with federal regulations, laws of the State, and generally accepted accounting principles (GAAP)

Debt Management/General

A. Purpose and Use of Debt Issuance

- Debt is to be issued pursuant to the authority of and in full compliance with, provisions, restrictions, and limitations of the Constitution and laws of the State (including Tenn. Code Ann. §§ 4-31-101, et seq., §§ 68-221-201 et seq., and §§ 68-221-501,et seq.), pursuant to an authorizing resolution adopted by the Authority (Resolution).
- The Authority may issue debt to fund loans to local government units to pay costs of construction, acquisition, and improvement for sewage treatment works, waterworks, and energy recovery facilities and/or solid waste resource recovery facilities.

- In compliance with Article II, Section 24 of the Tennessee Constitution, debt may only be used to fund operating expenditures when such debt is repaid in the fiscal year issued; however, it is not the State's practice to issue debt to fund operating expenditures.
- Prior to the issuance of bonds, bond anticipation notes may be issued for project costs as authorized by the bond authorization and a supplemental resolution of the Authority.
- Bonds may be issued to refund outstanding debt.

B. Debt Service Coverage

The dollar amount of debt that the Authority may issue and that may be outstanding for the State Loan Programs is not limited by statute; however, debt issued for this program shall be "limited special obligations" of the Authority payable solely from and secured by payments made by local government units, or state-shared taxes withheld, pursuant to loan program agreements.

C. Federal Tax Status

- **Tax-Exempt Debt** - The Authority will use its best efforts to maximize the amount of debt sold as tax-exempt based on the following assumptions:
 - that tax-exempt interest rates are lower than taxable rates; and
 - that the interest savings outweigh the administrative costs, restrictions on use of financed projects, and constraints on investment of debt proceeds.
- **Taxable Debt** - The Authority will sell taxable debt when necessary to finance projects not eligible to be financed with tax-exempt debt. However, the Authority may finance taxable projects within the permitted limits of tax-exempt financings whenever possible.

D. Legal Limitations on the Use of Debt

- The proceeds of any debt obligation shall be expended only for the purpose for which it was authorized and applied to fund loan program agreements only when the ratio of unobligated state-shared taxes to maximum annual debt service complies with state statutes, including any pledge of the statutory reserve fund.
- Notes may be issued only when the Comptroller has filed a certificate as required by Tenn. Code Ann. § 4-31-108(f), including the certification that loan program agreements are in place that will utilize at least 75% of the note proceeds.
- No debt may be issued for a term that is longer than the useful life of the capital project that is funded.

E. Security

- The Authority's debt is payable from, and secured by, all income, fees, charges, receipts, earnings, and other moneys derived by the Authority in connection with the financing of the State Loan Programs by the Authority (the "Revenues"). Revenues as defined in the Resolution include:
 - i. all payments made by local government units under a loan program agreement,
 - ii. the earnings on the income derived from the investment of the proceeds of bonds and notes and any other moneys held by the Authority under the Resolution,
 - iii. state-shared taxes, and
 - iv. amounts held in the statutory reserve fund.

- The Authority's rights and interest in the loan program agreements and all moneys held under the Resolution are also pledged, assigned, and charged as additional security for the payment of principal and interest and premium, if any, on the debt.
- Debt issued under the Resolution shall be limited special obligations of the Authority payable on a parity as to principal, interest and premium, if any, with other debt issued under the Resolution.

Types of Debt

A. Long-Term Debt/Bonds

- **Fixed Interest Rate Bonds** – Bonds that have an interest rate that remains constant throughout the life of the bond, i.e., serial bonds and term bonds.
- **Variable Interest Rate Bonds** – Bonds that bear interest at a variable or floating rate, adjusted at specified intervals (daily, weekly, or monthly) according to a specific index.
- **Capital Appreciation Bonds** – Bonds that are structured where interest on principal accrues and compounds until maturity. At maturity, the full amount of the principal and all interest accrued is repaid.

B. Short-Term Debt

The Authority may issue short-term debt from time to time as needed to fund loans for projects during the project construction period. Such debt shall be authorized by resolution of the Authority. Short-term debt is subsequently repaid with proceeds from the sale of long-term debt. Short-term debt may include:

- **Bond Anticipation Notes (BANs)** – BANs are short-term interest-bearing securities generally issued to finance capital project expenditures during construction in anticipation of permanent financing through the issuance of long-term debt.
- **Commercial Paper (CP)** – CP is a BAN that may be issued with a term of up to 270 days; and at maturity may be reissued to a future maturity date. It can be issued incrementally as funds are needed.
- **Fixed Rate Notes** – Notes issued for a period of five years or less with an interest rate that is fixed.
- **Variable Rate Notes** – Notes issued for a period of five years or less that bear interest at a variable or floating rate, adjusted at specified intervals (daily, weekly, or monthly) according to a specific index.
- **Revolving Credit Facility (RCF)** – A form of credit issued by a financial institution that provides the ability to draw on and repay during the term of the facility. The incremental drawdowns may bear interest until repaid.

Debt Structure

The Authority shall establish by resolution all terms and conditions relating to the issuance of debt and will invest all proceeds pursuant to the terms of the Authority's Resolution and the State's investment policy.

A. Term

The term of any debt (including refunding debt) used to purchase or otherwise obtain or construct any equipment, goods, or structures shall have a reasonably anticipated lifetime of use equal to or less than the average useful life of the project. The final maturity of the debt should be limited to

thirty (30) years after the date of issuance or the date the project is deemed complete or placed in service, whichever is earlier.

The final maturity of notes and any renewals is limited to eight years from the date of issue of the original notes unless the Authority has begun repayment of principal and the ultimate maturity of the notes will not exceed thirty (30) years from the date of first issuance or the date the project is deemed complete or placed in service, whichever is earlier.

B. Debt Service Structure

New money debt issuance will be issued with relatively net level debt service over the life of the debt. The Authority will avoid use of bullet or balloon maturities; this does not include term bonds with mandatory sinking fund requirements or capital appreciation bonds.

C. Call Provisions

When issuing new debt, the structure may include a call provision that occurs no later than ten years from the date of delivery of the bonds. Call provisions should be structured to provide the maximum flexibility relative to cost. The Authority will avoid the sale of long-term non-callable bonds absent careful evaluation by the SGF and consultation with the financial advisor (the "Financial Advisor") with respect to the value of the call option.

D. Tender Offer/Option Bonds

The Authority may issue tender option bonds to retire all or a portion of certain outstanding bonds by making an offer to repurchase the bonds from its bondholders at a specified price during a set period of time. Note that from a bond holder's perspective, the only material difference between a called and tendered bond is that with the tender offer, the bond holder must elect to accept the repurchase offer. If the tender offer is not accepted, the bond's terms (including scheduled maturity date) remain unchanged.

E. Original Issuance Discount/Premium

Bonds sold with original issuance discount/premium are permitted with the approval of the Authority.

F. Redemption Provisions

The Authority may redeem bonds in accordance with its redemption provision in its Resolution.

- **Optional Redemption**

Bonds may be redeemed at the option of the Authority prior to their respective stated maturities.

- **Mandatory Redemption**

The Authority may issue bonds that are subject to mandatory redemption with a call provision that would require the Authority to redeem the bonds prior to their stated maturity date.

- **Sinking Fund Redemption**

The Authority may issue bonds that are subject to a sinking fund redemption that allows the Authority to call or redeem portions of its term bonds prior to their stated maturities with funds that have been set aside in a sinking fund for that purpose.

- **Extraordinary Redemption**

The Authority may issue bonds that are subject to an extraordinary redemption provision that gives the Authority the right to call or redeem its bonds due to an unusual, one-time event.

Refunding Outstanding Debt

The Authority may refund (or refinance) outstanding bonds by issuing new bonds of which the proceeds are used to repay the refunded bonds. The Authority's staff with assistance from the Authority's Financial Advisor will have the responsibility to analyze outstanding bond issues for refunding opportunities. The Financial Advisor will conduct an analysis to identify all refunding candidates at least semi-annually.

A. Refunding Considerations

- **Advance Refunding** - An advance refunding may be considered when the refunding results generate a present value savings of at least 4% per series of refunded bonds. Consideration will be given to escrow efficiency when reviewing refunding candidates. Current tax law only allows taxable advance refunding transactions.
- **Current Refunding** - A current refunding will be considered when the refunding (1) results in aggregate present value savings of at least 2% per series of refunded bonds or (2) present value savings per series that is equal to or greater than twice the cost of issuance allocable to the refunding series.
- **Refunding for Other Purposes** - Bonds may be refunded if necessary (1) due to a change in the use of a project that would require a change to the tax status of the bonds, (2) because the project is sold or no longer in service while still in its amortization period, or (3) because the restrictive covenants prevent the issuance of other debt or create other restrictions on the financial management of the project and revenue producing activities.
- **Present Value Savings Calculation** - Unless otherwise agreed upon by SGF and the Financial Advisor, the present value savings shall be calculated for each series of refunding bonds (whether or not issued at the same time) by comparing the debt service on the refunding bonds to the remaining debt service on the bonds to be refunded thereby, present valued to the issue of such refunding bonds at a discount rate equal to arbitrage yield on such refunding bonds calculated (whether for tax-exempt bonds or taxable bonds) in the same manner as arbitrage yield is calculated for federally tax-exempt bonds; provided, however, if a series of bonds is being used for the purpose of refunding bonds to be refunded and for other purposes the discount rate is equal to the arbitrage yield of the series of bonds. Percentage present value savings shall be expressed as a percentage of the par amount of such bonds to be refunded.
- **Escrow Efficiency** - Escrow efficiency is determined by dividing the present value savings by the perfect escrow cost. The perfect escrow cost for a net funded escrow is the net present value of the escrow requirements (plus the additional cash deposit on the final requirement date) discounted at the arbitrage yield to the escrow purchase date. For a gross-funded escrow, the perfect escrow cost is the sum of the escrow requirements.

After consultation with the Financial Advisor, the Comptroller may waive the foregoing refunding considerations given that the sale of refunding bonds will still accomplish cost savings to the public. Such waiver shall be reported in writing to the Authority at its next meeting.

B. Term of Refunding Issues

The final maturity of the refunding escrows will not extend beyond the fiscal year of the maturity of the originally issued debt. No backloading of debt will be permitted.

C. Escrow Structuring

The Authority will structure refunding escrows using legally permitted securities deemed to be prudent under the circumstances and will seek to utilize the least costly securities unless considerations of risk, reliability and convenience dictate otherwise. The Authority will take competitive bids on any selected portfolio of securities and will award to the lowest cost provider giving due regard to considerations of risk and reliability or unless State and Local Government Series securities (SLGS) are purchased directly from the federal government. The provider must guarantee the delivery of securities except for SLGS. Under no circumstances shall an underwriter, agent, or financial advisor sell escrow securities to the Authority from its own account.

D. Arbitrage

The Authority shall seek to optimize efficiency on refunding escrows and to avoid negative arbitrage in its refunding subject to Tenn. Code Ann. § 4-31-104(6). Any positive arbitrage will be rebated in accordance with federal guidelines (see also “Federal Regulatory Compliance and Continuing Disclosure – A. Arbitrage”).

Methods of Sale

A. Competitive

In a competitive sale, the Authority’s bonds are posted for auction sale and awarded to the bidder providing the lowest true interest cost as long as the bid conforms to the requirements set forth in the official notice of sale. A competitive sale is the Authority’s preferred method of sale.

B. Negotiated

While the Authority prefers to sell its bonds through a competitive sale, it recognizes that there are situations when it is best to negotiate the sale of its bonds. The underwriting team will be selected, and the underwriter’s fees negotiated prior to the sale. See section below titled “Selection of Underwriting Team (Negotiated Transaction).” The Authority will consider the following factors in determining whether to conduct a negotiated sale:

- The bond structure which may require a pre-marketing effort;
 - i. Fixed or variable rate bonds
 - ii. Taxable or tax-exempt bonds
 - iii. New money or refunding bonds
- Volatility in market conditions may require flexibility in the timing of the sale;
- Size of the bond sale which may limit the number of potential purchasers;
- Legal or disclosure issues make it advisable in marketing the bonds; and/or
- Credit strength.

C. Private Placement

The Authority may consider privately placing its bonds in certain situations, such as:

- The small amount of bonds to be sold does not warrant public sale;
- The structure is complicated for a public debt issuance;
- The number of potential purchasers is limited; and/or
- The private placement results in a cost savings to the Authority in comparison to other methods of debt issuance.

Selection of Underwriting Team (Negotiated Transaction)

The primary role of the underwriter and underwriting team in a negotiated bond sale is to market the State's bonds to investors. Underwriters often provide ideas and suggestions with respect to structure, timing, and marketing process for the bonds being sold. The underwriters also work with the State's Financial Advisor and financing team in the bond rating process. The roles of the underwriter and the Financial Advisor are separate, adversarial roles that cannot be provided by the same party. The Authority shall require an underwriter to clearly identify itself in writing, whether in response to a request for proposals (RFP) or in promotional materials provided to the Authority or otherwise, as an underwriter and not as a financial advisor from the earliest stages of its relationship with the Authority with respect to the Authority's bonds to be sold. The underwriter must clarify its primary role as a purchaser of securities in an arms-length negotiation and that it has financial and other interests that differ from those of the Authority. The underwriter in a publicly offered, negotiated sale shall be required to provide pricing information both as to interest rates and to takedown per bond maturity to the Authority or its designated official in advance of the pricing of the debt.

A. Senior Manager

The Authority, with assistance from its staff and Financial Advisor, shall select the senior manager(s) for a proposed negotiated sale. The selection criteria shall include but not be limited to the following:

- Experience in selling Tennessee debt;
- Ability and experience in managing complex transactions;
- Prior knowledge and experience with the Authority;
- Willingness to risk capital and demonstration of such risk;
- Quality and experience of personnel assigned to the Authority's transaction;
- Financing ideas presented; and
- Competitive underwriting fees.

B. Co-Managers

Co-managers may be selected based on the same criteria as the Senior Manager. The number of co-managers appointed to a specific transaction may be dependent upon the transaction size to ensure maximum distribution of the Authority's bonds. The Secretary or Assistant Secretary to the Authority will, at his or her discretion, affirmatively determine the designation policy for each bond issue.

C. Selling Groups

The Authority may use selling groups in its bond sales to maximize the distribution of bonds to retail investors. Firms eligible to be a member of the selling group should either have a public finance department or pricing desk located within the boundaries of the State. To the extent that selling groups are included in the transaction, the Secretary or Assistant Secretary of the Authority, at his or her discretion, may appoint new members to the selling group as the transaction dictates.

D. Underwriter's Counsel

In any negotiated sale of the Authority's debt in which legal counsel is required to represent the underwriter, the appointment will be made by the Senior Manager.

Credit Quality

The Authority will seek to achieve the highest credit ratings possible, consistent with the Authority's financing objectives. If the Authority's ratings are downgraded, the Authority will immediately review its capital funding and debt strategy and take necessary steps within its authority to avoid additional downgrades and restore its rating. If the downgrade is a result of a criteria change, SGF will work with the credit rating agencies to understand the implications of the criteria and provide a summary to the Authority.

SGF will be responsible for maintaining relationships and communicating with the rating agencies that assign ratings to the Authority's debt. SGF will schedule rating agency calls and/or visits prior to the issuance of Authority debt.

SGF will provide the rating agencies with periodic updates of the general financial condition of the Authority. Full disclosure of operations and open lines of communication shall be maintained with the rating agencies. The Authority, together with the Financial Advisor, shall prepare presentations to the rating agencies to assist credit analysts in making an informed decision.

The Authority through SGF will engage the relevant rating agencies in advance, in the event that the Authority decides to move forward with a plan of finance that includes variable rate debt, new commercial paper programs or the use of derivatives.

The Authority shall apply for ratings from at least two of the four credit rating agencies. The Authority shall fully review the contract with the rating agencies and receive an engagement letter with each respective agency prior to submitting documentation for the rating.

Credit Enhancements

The Authority may consider the use of credit enhancements on a case-by-case basis, evaluating the economic benefit versus the cost. The Authority may determine that a credit enhancement is necessary to sell debt in the capital market. In other cases, there may be an economic benefit to securing credit enhancement; however, cost savings would need to be demonstrated. SGF may consider the following enhancements while evaluating the cost and benefit of such enhancements:

A. Bond Insurance

The Authority may purchase bond insurance when it is deemed prudent and advantageous by the Office of the Comptroller of the Treasury through SGF. The primary consideration shall be based on whether the insurance is less costly than the present value of the difference between the interest cost on insured bonds versus uninsured bonds. For competitive sales, the purchaser of the bonds may be allowed to determine whether bond insurance will be used. The purchaser will include the cost of the bond insurance (to be paid by the purchaser) in its bid for the bonds. If SGF decides to purchase insurance, it shall do so on a competitive bid basis whenever practicable. In a negotiated sale, SGF will select a provider whose bid is most cost effective and will consider the credit quality of the insurer with terms and conditions governing the guarantee that are satisfactory to the Authority.

B. Letters of Credit

The Authority may enter into a letter-of-credit (LOC) agreement if such an agreement is deemed prudent and advantageous. SGF will prepare and distribute an RFP to qualified banks or other qualified financial institutions that include terms and conditions that are acceptable to the Authority. The LOC will be awarded to the bank or financial institution providing the highest credit quality that provides a proposal with the lowest cost that meets the criteria established by the Authority.

C. Liquidity

For variable rate debt that requires a liquidity facility to mitigate remarketing risk, the Authority will evaluate:

- The cost of alternative forms of liquidity, including direct pay letters of credit, standby letters of credit, and lines of credit, in comparison to the cost of the inability to issue debt due to an illiquid market;
- Whether the facility needs to be diversified among liquidity providers, to limit credit exposure to any individual liquidity provider;
- All cost components attributed to the liquidity facility, including commitment fees, standby fees, draw fees, and interest expense on amounts drawn on the facility; and
- A comparative analysis and evaluation of the cost of external liquidity providers compared to the cost for self-liquidity.

The winning bid will be awarded to the bank or financial institution with the highest credit quality that provides a proposal with the lowest cost that meets the criteria established by the Authority.

D. Use of Structured Products

No interest rate agreements or forward purchase agreements will be considered unless the Authority has established a policy defining the use of such products before the transaction is considered.

Risk Assessment

SGF will evaluate each transaction to assess the types and amounts of risk associated with that transaction and consider all available means to address and mitigate the risks. SGF will evaluate all proposed transactions for consistency with the objectives and constraints defined in this Policy. The following risks should be assessed before issuing debt:

A. Private Business Use

Private business use of a project or facility that is financed with tax-exempt bonds may cause the interest on the tax-exempt bonds to be taxable to the owner of the bonds.

B. Default Risk

- **Payment (monetary) default risk** - the risk that debt service payments due from the borrowers are not received by the due date.
- **Technical default risk** - the risk that the Authority fails to comply with the covenants or conditions (non-financial terms) of its debt obligations.

C. Liquidity Risk

The risk that an illiquid capital market would impede the Authority's ability to issue or remarket debt along with the risk of having to pay a higher interest rate to the liquidity provider in the event of a failed remarketing of short-term debt.

D. Interest Rate Risk

The risk that market interest rates change based on conditions which are outside the control of the State. Debt with variable rates could be subject to interest rate volatility and based on market conditions rates could be higher than estimated. Debt that includes a requirement to be refinanced could be subject to higher interest rates in the future resulting in higher interest costs.

E. Rollover Risk

The risk of refinancing debt with the rate of interest on the new debt being greater than the original rate of interest.

F. Market Risk

Risk that may arise due to changes in the municipal or other financial markets, geopolitical events, or recessions that could result in the inability to access the financial markets or borrowing in financial markets that could result in higher than expected interest rates.

Transparency

The Authority shall comply with the Tennessee Open Meetings Act and provide adequate notice of public meetings. The Authority shall specify on the agenda any matters related to debt issuance that are to be considered. All costs related to debt issuance, recurring and non-recurring, (including bond interest and costs of issuance) shall be disclosed to the general public in a timely manner. Additionally, in accordance with the Authority's Continuing Disclosure Undertaking (CDU), the Authority will provide certain financial information and operating data by specified dates and provide notice of certain enumerated events with respect to the bonds, pursuant to continuing disclosure requirements of the U.S. Securities and Exchange Commission (SEC) Rule 15c2-12. The Authority intends to maintain transparency by:

- Posting the Official Statement of a bond sale to the Authority's website within two weeks of the closing of the sale;
- Filing the Debt Report with the Authority not later than forty-five days following the issuance or execution of a debt obligation, with a copy filed with the Division of Local Government Finance (LGF) pursuant to Tenn. Code Ann. § 9-21-134; and
- Electronically submitting information necessary to satisfy the Authority's continuing disclosure requirements for the bonds through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website in a timely manner (see "Federal Regulatory Compliance and Continuing Disclosure").

Professional Services

The Authority requires all professionals engaged in assisting in the Authority's debt issuance transactions to clearly disclose all compensation and consideration received related to services provided in the "soft" costs or compensation in lieu of direct payments.

A. Issuer's Counsel

The Authority will enter into an engagement letter agreement with each lawyer or law firm representing the Authority in a debt transaction. No engagement letter is required for any lawyer who is an employee of the Office of the Attorney General and Reporter for the State of Tennessee who serves as counsel to the Authority or of the Office of General Counsel, Office of the Comptroller of the Treasury, that serves as counsel to SGF regarding Authority matters.

B. Bond Counsel

Bond counsel shall be engaged through SGF and serves to assist the Authority in all matters related to its debt issues under a written engagement letter.

C. Financial Advisor

The Financial Advisor shall be engaged through SGF and serve and assist the Authority on financial matters under a written contract. However, the Financial Advisor shall not be permitted

to bid on, privately place or underwrite an issue for which it is or has been providing advisory services. The Financial Advisor has a fiduciary duty including a duty of loyalty and a duty of care. The Financial Advisor shall be a registered municipal advisor with the Municipal Securities Rulemaking Board (MSRB).

D. Dealer or Remarketing Agent

The Authority may enter into a Dealer Agreement with the appointed CP dealer or Remarketing Agent Agreement associated with variable rate debt offerings. The Dealer and/or Remarketing Agent agrees to offer and sell the CP, or other variable rate debt, on behalf of the Authority, to investors and other entities and individuals that purchase CP.

E. Issuing and Paying Agent

The Authority shall appoint an Issuing and Paying Agent to act as paying agent and registrar for the Authority's CP at all times while the CP is outstanding. The Authority will execute an Issuing and Paying Agency Agreement with an appointed firm. The Issuing and Paying Agent will be a bank, trust company, or national banking association that has trust powers.

F. Credit/Liquidity Provider

The Authority shall enter into a Credit/Liquidity Agreement with the appointed provider, if deemed necessary or advisable, for the CP. The provider shall be a bank or lending institution, or the Tennessee Consolidated Retirement System (TCRS) that extends credit to the Authority in the form of a revolving credit facility, a line of credit, a loan, or a similar credit product or as a liquidity facility for CP.

G. Refunding Trustee

The Refunding Trustee shall be appointed by resolution of the Authority adopted prior to the issuance of any of refunding bonds. The Refunding Trustee will be a bank, trust company or national banking association that provides Paying Agent and Registrar services.

H. Verification Agent

The Verification Agent will be selected through a RFP process prior to the issuance of refunding bonds, if required. The Verification Agent shall verify the cash flow sufficiency to the call date of the escrowed securities to pay the principal and interest due on the refunded bonds.

I. Escrow Bidding Agent

The Escrow Bidding Agent will be selected through a RFP process prior to the issuance of refunding bonds. With regards to structuring the refunding escrow with investment securities, the Escrow Bidding Agent will prepare bidding specifications, solicit bids for investment securities, review, and evaluate responses to the bids, accept and award bids, and provide final certification to the Authority as to completion of requirements.

Potential Conflicts of Interest

Professionals involved in a debt transaction hired or compensated by the Authority shall be required to disclose to the Authority existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, swap advisor, bond counsel, swap counsel, trustee, paying agent, underwriter, counterparty, and remarketing agent), as well as conduit issuers, sponsoring organizations and program administrators and other issuers whom they may serve. This disclosure shall include such information that is reasonably sufficient to allow the Authority to understand the significance of the relationships.

Professionals who become involved in a debt transaction as a result of a bid submitted in a widely and publicly advertised competitive sale conducted using an industry standard, electronic bidding platform are not subject to this disclosure provision. No disclosure is required if such disclosure would violate any rule or regulation of professional conduct.

Debt Administration

A. Planning for Sale

In planning for the sale of bonds, the procedures outlined below will be followed:

- Prior to submitting a supplemental bond resolution to the Authority for approval, the Director of SGF (the “Director”), with the assistance of the Financial Advisor, will present to the staff of the members of the Authority information concerning the purpose of the financing, the estimated amount of financing, the proposed structure of the financing, the proposed method of sale for the financing, members of the proposed financing team, and an estimate of all the costs associated with the financing.
- The Director (with the assistance of SGF staff), Bond Counsel, and Financial Advisor, along with other members of the financing team will prepare the preliminary official offering document (i.e., a Preliminary Official Statement) describing the transaction and the security for the debt that is fully compliant with all legal requirements.
- In the case of a proposed refunding, proposed use of credit enhancement, or proposed use of variable rate debt, the Director will present the rationale for using the proposed debt structure, an estimate of the expected savings associated with the transaction and a discussion of the potential risks associated with the proposed structure.

B. Preparing for Bond Closing

In preparation for the bond closing, the procedures outlined below will be followed:

- The Director (with the assistance of SGF staff), Bond Counsel, and the Financial Advisor, along with other members of the financing team will prepare the offering document (i.e. an Official Statement) describing the transaction and the security for the debt that is fully compliant with all legal requirements.
- The Financial Advisor will provide a closing memorandum with written instructions on transfer and flow of funds.
- The Authority’s staff, with assistance from the Financial Advisor, will evaluate each bond sale after completion to assess the following: costs of issuance including the underwriter’s compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, and the distribution of bonds and sales credit, if applicable.
- The Director will present a post-sale report to the members of the Authority describing the transaction and setting forth all the costs associated with the transaction.
- Within 45 days from closing, the Director will prepare a Debt Report outlining costs related to the issuance and other information set forth in Tenn. Code Ann. § 9-21-134 and present the report at the next meeting of the Authority and file a copy with LGF.
- The Director will establish guidelines and procedures for tracking the flow of all bond proceeds, as defined by the Internal Revenue Code, over the life of bonds reporting all arbitrage earnings associated with the financing and submitting any tax liability that may be owed to the Internal Revenue Service (IRS).

- The Post-Issuance Compliance (PIC) team will meet annually to review matters related to compliance and complete the PIC checklist.
- As a part of the PIC procedures, the Director (with the assistance of SGF staff) will, no less than annually, request and receive confirmation from the responsible department that there has been no change in use of tax-exempt financed facilities.

For additional information on planning and preparing for a bond sale, see Standard Operating Procedure on Bond Issuance and Checklist.

Federal Regulatory Compliance and Continuing Disclosure

A. Arbitrage

The Authority, through SGF, will comply with arbitrage requirements on invested tax-exempt bond proceeds. Proceeds that are to be used to finance construction expenditures are exempted from the filing requirements, provided that the proceeds are spent in accordance with requirements established by the IRS. The Authority will comply with all of its tax certificates for its tax-exempt financings by monitoring the arbitrage earnings on bond proceeds on an interim basis and by rebating all positive arbitrage when due, pursuant to Internal Revenue Code, Section 148. The Authority currently contracts with an arbitrage consultant to prepare these calculations when needed. The Authority will also retain all records relating to debt transactions for as long as the debt is outstanding, plus three years after the final redemption date of the transaction.

B. Investment of Proceeds

Any proceeds or other funds available for investment by the Authority must be invested per Tenn. Code Ann. § 4-31-104(6), subject to any restrictions required pursuant to any applicable bond issuance authorization. Compliance with federal tax code arbitrage requirements relating to invested tax-exempt bond funds will be maintained.

Proceeds used to refund outstanding long-term debt shall be placed in an irrevocable refunding trust fund with the Refunding Trustee. The investments (i) shall not include mutual funds or unit investment trusts holding such obligations, (ii) shall be rated no lower than the second highest rating category of both Moody's Investors Service, Inc. and Standard & Poor's Global rating services, and (iii) shall mature and bear interest at such times and such amounts that will be sufficient without reinvestment together with any cash on deposit, to redeem the bonds to be refunded and to pay all interest due on the bonds to be refunded.

C. Disclosure

The Authority will disclose on the EMMA website the State's audited Annual Comprehensive Financial Report as well as certain financial information and operating data required by the continuing disclosure undertakings (CDUs) for the outstanding bonds no later than January 31st of each year. The Authority will timely disclose any failure to provide required annual financial information by January 31st. The Authority will also, in accordance with the CDUs, disclose on the EMMA website within ten business days after the occurrence of any of the following events relating to the bonds to which the CDUs apply:

- Principal and interest payment delinquencies;
- Nonpayment-related defaults, if material;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;

- Substitution of credit or liquidity providers or their failure to perform;
- Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of such bonds or other material events affecting the tax status of such bonds;
- Modifications to rights of bondholders, if material;
- Bond calls, if material, and tender offers;
- Defeasances;
- Release, substitution or sale of property securing the repayment of the bonds, if material;
- Rating changes;
- Bankruptcy, insolvency, receivership, or similar event of the State;
- Consummation of a merger, consolidation, or acquisition involving the Authority or sale of all or substantially all the assets of the Authority, other than in the course of ordinary business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- Appointment of successor trustee or the change of name of a trustee, if material;
- Incurrence of a financial obligation of the issuer or obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material; and/or
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the issuer or obligated person, any of which reflect financial difficulties.

D. Generally Accepted Accounting Principles (GAAP)

The Authority will comply and prepare its financial reports in accordance with the standard accounting practices adopted by the Governmental Accounting Standards Board and with the accounting policies established by the Department of Finance and Administration when applicable.

Review of the Policy

The debt policy guidelines outlined herein are only intended to provide general direction regarding the future use and execution of debt. The Authority maintains the right to modify these guidelines and may make exceptions to any of them at any time to the extent that the execution of such debt achieves the Authority's goals.

This policy will be reviewed by the Authority no less frequently than annually. At that time, the Director will present any recommendations for any amendments, deletions, additions, improvements, or clarification.

Adoption of the Policy

1. After a public hearing on December 7, 2011, the Authority adopted this Policy, effective December 7, 2011.
2. The Authority adopted and amended this Policy on May 22, 2017, effective May 11, 2017.
3. The Authority adopted and amended this Policy on July 22, 2021, effective July 22, 2021.
4. The Authority adopted and amended this Policy on July 22, 2024, effective July 22, 2024.
5. The Authority adopted and amended this Policy on June 23, 2025, effective June 23, 2025.

Vice Chair

Tennessee Local Development Authority

APPENDIX A

Annual Review

The Authority has reviewed and accepted the Debt Management Policy on:

October 8, 2014

November 19, 2015

July 20, 2020

July 26, 2022

June 27, 2023

**CITY OF PORTLAND
100 S. RUSSELL STREET
PORTLAND, TENNESSEE 37148**

June 3, 2025

Ms. Sandra Thompson
Director
Tennessee Local Development Authority
Cordell Hull Building
425 Rep John Lewis Way N
Nashville, Tennessee 37243

Via Email

Re: Not to exceed \$757,000 Water and Sewer System Revenue and Tax Capital Outlay Note, Series 2025, of the City of Portland, Tennessee

Dear Ms. Thompson:

The City of Portland, Tennessee (the "City"), intends to issue its \$757,000 Water and Sewer System Revenue and Tax Capital Outlay Note, Series 2025 (the "Note"), for the purpose of financing the acquisition of a Jet Vac Truck and Camera Van for the City's sewer system, and to pay all legal, fiscal, administrative, architectural, and engineering costs incident thereto.

The City understands that TLDA must be notified of the issuance, even if the Note will not be on a parity with any SRF loans the City has outstanding.

Therefore, this is to give notice that the City acknowledges that the Note will be issued subordinate to its outstanding SRF Loans.

The purchaser of the Note has agreed that the Note will be subordinate to the City's outstanding SRF Loans.

The City adopted the necessary note resolution at its June 2, 2025 meeting, and plans to issue the Note by mid-July.

If you have any questions or need any additional information, please let me know.

Yours truly,

CITY OF PORTLAND, TENNESSEE

By: 
Mike Callis, Mayor

C: Linda Mooningham
Tennessee Municipal Bond Fund