THE CITY COUNCIL OF
THE CITY OF CHATTANOOGA,
HAMILTON COUNTY, TENNESSEE

Resolution No. _____

_____

Sixth Supplemental Resolution to
Resolution No. 22629
providing for the issuance of
City of Chattanooga, Tennessee
Electric System Revenue Bonds
Series 2015C

_____

Authorizing Up To

$30,000,000

Series 2015C Bonds

_____

Adopted _____

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS AND STATUTORY AUTHORITY 2
Section 1.01. Short Title. 2
Section 1.02. Series 2015C Resolution. 2
Section 1.03. Definitions. 2

ARTICLE II AUTHORIZATION, TERMS AND ISSUANCE OF SERIES 2015C BONDS 3
Section 2.01. Authority for the Series 2015C Resolution. 3
Section 2.02. Authorization of Series 2015C Bonds. 4
Section 2.03. Place of Payment and Paying Agent. 4
Section 2.04. Preliminary Official Statement and Official Statement. 4
Section 2.05. Sale of the Series 2015C Bonds 5

ARTICLE III TERMS AND PROVISIONS RELATING TO THE SERIES 2015C BONDS 5
Section 3.01. Description of the Series 2015C Bonds. 5
Section 3.02. Redemption. 6
Section 3.03. Form of Series 2015C Bonds. 6

ARTICLE IV BOOK-ENTRY SYSTEM 13
Section 4.01. Book-Entry System; Limited Obligation of the City. 13
Section 4.02. Transfers Outside Book-Entry System. 14
Section 4.03. Payments to the Nominee. 14
Section 4.04. Initial Depository and Nominee. 14

ARTICLE V EXECUTION AND AUTHENTICATION OF THE SERIES 2015C BONDS 14
Section 5.01. Execution and Authentication of Series 2015C Bonds 14
Section 5.02. No Recourse on Series 2015C Bonds 15

ARTICLE VI APPLICATION OF PROCEEDS 15
Section 6.01. Application of Proceeds and Deposit of Moneys. 15

ARTICLE VII CONSENT TO AMNEMDNET 15
Section 7.01. Consent to Amendment 15

ARTICLE VIII SPECIAL COVENANTS 15
Section 8.01. Tax Exemption; Rebates. 15
Section 8.02. Survival of Covenant. 16

ARTICLE IX MISCELLANEOUS 16
Section 9.01. Supplemental Resolutions. 16
Section 9.02. Transfer of Funds. 16
Section 9.03. Incorporation of Remainder of Resolution by Reference. 16
Section 9.04. Continuing Disclosure Covenant. 16
Section 9.05. Effective Date. 16

Section 9.06. Execution of Documents. 16

Exhibit A Form of Bond Purchase Agreement
Exhibit B Form of Preliminary Official Statement
Exhibit C Form of Continuing Disclosure Agreement

CITY OF CHATTANOOGA, TENNESSEE
ELECTRIC SYSTEM REVENUE BONDS

AUTHORIZING UP TO

$30,000,000

SERIES 2015C BONDS

WHEREAS, the City is a duly incorporated and existing municipal corporation of the State of Tennessee; and

WHEREAS, the City now owns, and through the Electric Power Board of Chattanooga ("EPB") operates and maintains, an electric system; and

WHEREAS, by the enactment of Chapter 455 of the 1935 Private Acts of the Tennessee General Assembly, as amended, and adopted as part of the Charter of the City, the EPB has been granted authority for the exclusive management and control of the operation of the electric power plant and distribution system; and

WHEREAS, the EPB has determined that various improvements and extensions to the electric system of the City are necessary and has requested that bonds of the City be issued for the use and benefit of the EPB in order to provide funds for such purpose with repayment of the bonds to be from revenues from the operation of the Electric System; and

WHEREAS, the City has, by Resolution No. 22629, duly adopted September 5, 2000 (the "Master Resolution"), as amended by Resolution No. 22639 adopted September 12, 2000, as amended by Resolution No. 24833 adopted on August 1, 2006, as amended by Resolution No. 24834 adopted on August 1, 2006 and as amended by Resolution No. 25435 adopted on February 19, 2008 (the Master Resolution as so supplemented and amended to the date hereof, the "Resolution"), determined to, among other things, authorize the issuance of bonds and/or other forms of indebtedness to finance improvements and extensions to the Electric System for the benefit of the EPB; and

WHEREAS, Article V of the Resolution provides, among other things, that such Series of bonds shall be issued upon the terms and conditions and in the manner provided by a Supplemental Resolution (as such term is defined in the Resolution) of the City duly adopted prior to the authentication and delivery of such Series of bonds; and

WHEREAS, the City has determined to issue a Series of Bonds in a principal amount not to exceed $30,000,000 (the "Series 2015C Bonds") to provide funds for, among other things, the 2015C Project (as hereinafter defined); and

WHEREAS, in accordance with the Resolution, the City desires on behalf of EPB to authorize the Series 2015C Bonds and provide certain terms and conditions with respect to such Series 2015C Bonds and in order to provide for the lowest cost of financing for the 2015C Project to EPB, the City Council desires to delegate certain responsibilities to the Mayor and/or City Finance Officer relating to establishing certain terms of the Series 2015C Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF CHATTANOOGA, HAMILTON COUNTY, TENNESSEE, AS FOLLOWS:

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

Section 1.01. Short Title. This resolution may hereinafter be cited by the City, and is hereinafter sometimes referred to, as the "Sixth Supplemental Resolution" or "Series 2015C Resolution."

Section 1.02. Series 2015C Resolution. This Sixth Supplemental Resolution to the Resolution, providing for the issuance of City of Chattanooga, Tennessee Electric System Revenue Bonds Series 2015C Authorizing Up To $30,000,000 Series 2015C Bonds is supplemental to, and constitutes a Supplemental Resolution within the meaning of and is adopted in accordance with, Article XII of the Resolution.

Section 1.03. Definitions.

(a) All terms which are defined in Section 2.01 of the Resolution and not otherwise defined herein shall have the same meanings, respectively, in this Series 2015C Resolution as such terms are given in Section 2.01 of the Resolution.

(b) As used in this Series 2015C Resolution, unless the context shall otherwise require, the following terms shall have the following respective meanings:

"Bond Depository" means DTC.

"2015C Certificate of Determination" means the applicable certificate of determination for the Series 2015C Bonds, to be delivered on or prior to the date of delivery of the Series 2015C Bonds. The Mayor and City Finance Officer hereby are authorized to execute any such Certificate of Determination for the purpose of determining certain matters with respect to the Series 2015C Bonds, subject to and in compliance with all applicable requirements of the Resolution and this Series 2015C Resolution. Any such Certificate of Determination upon execution hereby is incorporated by reference and made a part of this Series 2015C Resolution as if set forth herein at length.

"City" means the City of Chattanooga, Tennessee.

"City Council" means the City Council of the City.

"City Finance Officer" means the City Finance Officer of the City.

"Date of Delivery" means the closing date for the 2015C Bonds as contained in the Certificate of Determination.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"EPB" has the meaning specified in the Recitals.

"Interest Payment Date" has the meaning specified in Section 3.01(b).

"Mayor" means the Mayor of the City.

"Nominee" means the nominee of the Bond Depository as determined from time to time pursuant to Section 4.01.

"Official Statement" has the meaning specified in Section 2.04.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Bond Depository holds Series 2015C Bonds as securities depository.

"Preliminary Official Statement" has the meaning specified in Section 2.04.

"Resolution" has the meaning specified in the Recitals.

"Series 2015C Bonds" has the meaning specified in the Recitals.

"Series 2015C Resolution" means this Sixth Supplemental Resolution to the Resolution providing for the issuance of City of Chattanooga, Tennessee Electric System Revenue Bonds, Series 2015C Authorizing Up To $30,000,000 Series 2015C Bonds.

"Tax Certificate" means the Tax Certificate executed by an authorized officer of the City or EPB in connection with the issuance of the Series 2015C Bonds.

"2015C Project" has the meaning specified in Section 2.02(b).

(a) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

(b) The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this Series 2015C Resolution, refer to this Series 2015C Resolution.

ARTICLE II

AUTHORIZATION, TERMS AND ISSUANCE OF SERIES 2015C BONDS

Section 2.01. Authority for the Series 2015C Resolution. This Series 2015C Resolution is supplemental to the Resolution, and is adopted pursuant to and in accordance with, the provisions of the Act and the Resolution.

Section 2.02. Authorization of Series 2015C Bonds.

(a) In accordance with the provisions of the Act, and subject to and pursuant to the provisions of the Resolution and this Series 2015C Resolution, as the same may be amended or supplemented from time to time, a Series of bonds of the City entitled to the benefit, protection and security of the Resolution hereby is authorized to be issued in an aggregate principal amount not to exceed $30,000,000. Such Series 2015C Bonds shall be designated as, and shall be distinguished from the bonds of all Series by the title, "City of Chattanooga, Tennessee Electric System Revenue Bonds, Series 2015C" pursuant to and subject to the terms, conditions and limitations established in the Resolution and this Series 2015C Resolution.

(b) The purposes for which the Series 2015C Bonds are being issued are (i) to pay certain Capital Costs of the Electric System (the "2015C Project"), (ii) to make such deposit to the Reserve Fund, if any, as may be necessary in connection with the Reserve Requirement (as required by the Resolution) and the issuance of the Series 2015C Bonds, and (iii) to pay the costs of issuance of the Series 2015C Bonds and contingency amounts.

(c) The Mayor and the City Finance Officer are hereby authorized to execute such documents, instruments and papers, to open such bank accounts or custodian accounts, and do such acts and things as may be necessary or advisable in connection with the authorization, sale and issuance of, and security for, the Series 2015C Bonds.

(d) The Mayor and City Finance Officer are hereby authorized and empowered to execute and deliver, or cause to be executed and delivered such other documents and opinions, and to do all such acts and things as may be necessary or desirable in connection with the issuance, execution and delivery of the Series 2015C Bonds and the final Official Statement.

Section 2.03. Place of Payment and Paying Agent. The principal and Redemption Price of the Series 2015C Bonds shall be payable at the principal office of the Paying Agent for the Series 2015C Bonds as permitted by the Resolution. Interest on the Series 2015C Bonds shall be payable by check or draft of any Paying Agent in like coin or currency of the United States of America.

Section 2.04. Preliminary Official Statement and Official Statement. The preparation of the Preliminary Official Statement, substantially in the form attached as Exhibit B, relating to the Series 2015C Bonds and the distribution thereof to prospective purchasers of the Series 2015C Bonds is hereby approved. An Official Statement, substantially in the form of the Preliminary Official Statement, together with such changes, insertions and omissions as the Mayor and City Finance Officer shall deem necessary and advisable, and the Mayor's execution and delivery of the Official Statement to the purchasers of the Series 2015C Bonds are hereby authorized and approved. The Mayor and City Finance Officer shall arrange for the delivery to the Underwriter (as defined below) of a reasonable number of copies of the Official Statement within seven business days after the Bonds have been sold.

The Mayor and City Finance Officer are authorized, on behalf of the City, 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 City except for the omission in the Preliminary Official Statement of such pricing and other information.

Section 2.05. Sale of the Series 2015C Bonds. Pursuant to the Act, a negotiated sale of the Series 2015C Bonds is hereby authorized. The Series 2015C Bonds shall be sold to Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the underwriters named in the Bond Purchase Agreement (the "Underwriter"), at the purchase price and on the terms and conditions set forth in the 2015C Certificate of Determination and a Bond Purchase Agreement (as defined below), with the principal amount, interest rates and maturities as so determined by the Mayor and/or City Finance Officer in accordance with the provisions herein. Such terms of the Series 2015C Bonds as set forth in the 2015C Certificate of Determination and the Bond Purchase Agreement in substantially the form attached as Exhibit A (the "Bond Purchase Agreement") with such changes, insertions and omissions as the Mayor and City Finance Officer shall deem necessary or advisable are hereby approved. The Mayor and City Finance Officer are hereby authorized on behalf of the City to execute said Bond Purchase Agreement and to deliver it to the Underwriter; and said officers and all other officers of the City are hereby authorized and directed to carry out or cause to be carried out all obligations of the City under said Bond Purchase Agreement and to take all action contemplated to be taken by the City pursuant to the terms of said Bond Purchase Agreement.

ARTICLE III

TERMS AND PROVISIONS RELATING TO THE SERIES 2015C BONDS

Section 3.01. Description of the Series 2015C Bonds.

(a) Date, Maturity and Interest Rate. The Series 2015C Bonds shall be dated their date of delivery, shall bear interest at a true interest cost not to exceed five percent (5%) per annum and shall have a final maturity not later than September 1, 2040, all as set forth in the 2015C Certificate of Determination.

(b) Interest Payment Dates. The Series 2015C Bonds shall bear interest at the interest rate or rates per annum set forth in the 2015C Certificate of Determination and such interest shall be payable on March 1, 2016 and semiannually thereafter on the first day of March and September (each such date being an "Interest Payment Date") in each year until the City's obligation with respect to the payment of principal of the Series 2015C Bonds shall be discharged. The interest rates set forth in the 2015C Certificate of Determination shall not exceed the maximum rate of interest permitted by, or enforceable under, applicable law.

(c) Debt Service for Series 2015C Bonds. The schedule of principal and interest requirements for the Series 2015C Bonds shall be as set forth in the Certificate of Determination.

(d) Registration, Denomination, Lettering and Numbering. The Series 2015C Bonds shall be issued in fully registered form, without coupons, in minimum denominations of $5,000 principal amount, or any integral multiple thereof. Unless the City shall otherwise direct, the Series 2015C Bonds shall be numbered from one upward.

Section 3.02. Redemption. The Series 2015C Bonds shall be subject to optional and/or mandatory redemption as set forth in the 2015C Certificate of Determination.

Section 3.03. Form of Series 2015C Bonds. The form of the Series 2015C Bonds and the City's certificate of authentication shall be in substantially the form set forth below with such omissions, insertions and variations as are properly required, as determined by an authorized officer of the City, and which are not contrary to any of the provisions of the Resolution or any provisions of this Series 2015C Resolution all as set forth in the 2015C Certificate of Determination.

[Remainder of page intentionally left blank]

UNITED STATES OF AMERICA

STATE OF TENNESSEE

NOTWITHSTANDING ANY PROVISION OF THE RESOLUTIONS REFERRED TO HEREIN TO THE CONTRARY, THE PRINCIPAL AMOUNT OUTSTANDING UNDER THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE FISCAL AGENT. THE DEPOSITORY TRUST COMPANY (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE RESOLUTIONS, "DTC") OR A TRANSFEREE OR ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND TO BE PAID. THE PRINCIPAL AMOUNT OUTSTANDING AND TO BE PAID ON THIS BOND SHALL FOR ALL PURPOSES BE THE AMOUNT INDICATED ON THE BOOKS OF THE FISCAL AGENT.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNITED STATES OF AMERICA

STATE OF TENNESSEE

CITY OF CHATTANOOGA, TENNESSEE ELECTRIC SYSTEM

REVENUE BONDS, SERIES 2015C

Interest Rate	Maturity Date	Dated Date	%

CUSIP

KNOW ALL MEN BY THESE PRESENTS, that the City of Chattanooga, Tennessee, a duly organized municipal corporation (the "City"), acknowledges itself to owe, and for value received, promises to pay to the registered owner above, or registered assigns on the Maturity Date hereof (or earlier as herein after referred to), solely from the revenues and funds hereinafter described, upon the presentation and surrender hereof at the principal office of the _____ as paying agent (herein called the "Agent"), the principal sum of

DOLLARS

lawful money of the United States of America with interest on said principal sum payable _____ 1, and thereafter semiannually thereafter on _____ 1 and _____1 in each year, _____ at the Interest Rate per annum stated hereon from the Dated Date hereof, except as otherwise stated in the Resolution (as hereinafter defined), until payment of said principal sum shall be discharged. Interest when due shall payable by the Fiscal Agent, by check or draft mailed to the registered owner hereof on each interest payment date at its address as shown on the registration books of the City which shall be kept for that purpose at the principal office of the Fiscal Agent (the "Registration Books"), as of the close of business on the fifteenth business day of the calendar month immediately preceding each such interest payment date (the "Record Date"). Principal and redemption price, if any, of, and interest on, this bond are payable in lawful money of the United States of America, and for the prompt payment of this bond and the interest thereon the lien on the Trust Estate (as defined in the Resolution) is hereby irrevocably pledged. The holder hereof shall have no recourse to the power of taxation. The holder hereof shall have no recourse other than as against the Trust Estate. The incomes and revenues in the Trust Estate are required by the proceedings pursuant to which this bond is issued to be fully sufficient to pay the cost of operating and maintaining the Electric System (as defined in the Resolution as hereinafter defined) and to pay the principal of and interest on this bond and the issue of which it is a part promptly as each becomes due and payable. The Electric Power Board of the City has covenanted that there will be fixed and imposed such rates and charges for the services rendered by the Electric System and for the use of electric energy furnished by said Electric System, and will be collected and accounted 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 thereof, and this bond does not constitute a debt of the City within the meaning of any statutory limitation. Reference is hereby made to the below described resolution for a more complete statement of the revenues from which and conditions under which this bond is payable, the conditions under which obligations may hereafter be issued on a parity with this bond, the manner in which said resolution may be modified, and the general covenants and provisions pursuant to which this bond is issued.

THE SERIES 2015C BONDS SHALL UNDER NO CIRCUMSTANCES CONSTITUTE A GENERAL OBLIGATION OF THE CITY OR OF THE UNITED STATES. IT SHALL NOT BE A DEBT OF THE CITY. IT SHALL NOT BE A DEBT OF THE UNITED STATES, NOR SHALL THE UNITED STATES BE LIABLE THEREON.

This Bond is one of a series of bonds of the City designated as "City of Chattanooga, Tennessee Electric System Revenue Bonds, Series 2015C" (herein called the "Series 2015C Bonds"), issued as fully registered bonds in any integral multiples of $5,000, in the aggregate principal amount of $ _____ issued by the City pursuant to and in accordance with the provisions of Sections 7-34-101 to 7-34-118 and 9-21-101 et seq., inclusive, Tennessee Code Annotated, (the "Act") and pursuant to resolutions duly passed by the City Council of said City on September 5, 2000 and September 12, 2000, August 1, 2006, February 19, 2008 and _____, 2015 (which resolutions are herein collectively called the "Resolution"). As provided in the Resolution, bonds may be issued from time to time pursuant to supplemental resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as in said supplemental resolutions provided. The aggregate principal amount of Bonds which may be issued under said Resolution is not limited except as provided in said Resolution and the Act, and all Bonds issued and to be issued under said Resolution are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in said Resolution and the Act.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution or any resolution amending or supplementing such Resolution may be modified or amended, with the written consent of holders of at least a majority in principal amount of the Bonds then outstanding under the Resolution. No such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or a reduction in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the City or Electric Power Board of the City without its written assent thereto.

Reference is hereby made to the further provisions of this bond set forth on the reverse side hereof and such further provisions shall for all purposes have the same effect as if set forth on the front side hereof. It is further certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this bond have been done, have happened, and have been performed in regular and due form, time and manner as required by

law, and that the total indebtedness of the City, including this bond, does not exceed any statutory or constitutional limitation.

It is further provided by Section 7-34-116, Tennessee Code Annotated, that neither the principal nor the interest on this bond shall be taxed by the State of Tennessee or by any County or Municipality thereof, except inheritance, transfer and estate taxes.

IN TESTIMONY WHEREOF, the City of Chattanooga, Tennessee has caused this to be executed by the manual or facsimile signature of the Mayor in the name of the City and the corporate seal of said City or a facsimile thereof, to be affixed hereto, or engraved, imprinted or otherwise reproduced hereon, attested by the City Finance Officer of the City by such officer's manual or facsimile signature, this the ____ day of _____, 2015.

CITY OF CHATTANOOGA, TENNESSEE

_____
Mayor

ATTEST:

_____
City Finance Officer

FORM OF FISCAL AGENT'S CERTIFICATE
OF AUTHENTICATION ON ALL BONDS

This bond is one of the bonds executed and delivered pursuant to the within mentioned Resolution.

_____
Fiscal Agent

By_____
Authorized Officer

Date_____

(Back of Bond)

The Bonds maturing on or before _____, ____ shall not be subject to redemption prior to maturity.

The Bonds maturing on or after _____, ____ shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at any time, at the option of the City on or after _____, ____ as hereinafter provided, at the prices as set forth below (expressed as percentages of principal amount) plus interest accrued to the redemption date:

Redemption Dates (dates inclusive)	Redemption Prices

Notice of any call for redemption shall be given by mailing such notice, at least thirty (30) days prior and no earlier than sixty (60) days prior to the date set for such redemption, to the registered owner of each bond being so redeemed at such owner's address, as shown on the Registration Books of the City (the "Registration Books") kept for that purpose at the office of the City of Chattanooga, Tennessee, as fiscal agent or any successor fiscal agent (the "Fiscal Agent"). Notice shall also be given by publication in The Bond Buyer or a financial journal of general circulation in the city of New York, New York, not more than sixty (60) and not less than thirty (30) days prior to the redemption date. While DTC or its nominee is the registered owner of the bonds, the City shall send the notice of redemption to DTC and the City shall not be responsible for mailing notices of redemption to Participants or Indirect Participants or the Beneficial Owners of any Bonds. Any failure of DTC to mail such notice to any Participant will not affect the sufficiency or the validity of the redemption of the Bonds. Notice of redemption have been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with the redemption price, if any, and interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

The City shall cause books for the registration and for the transfer of the Bonds as provided in the Resolution to be kept by the Paying Agent. This bond is transferable by the registered owner hereof in person or by such owner's attorney duly authorized in writing, at the principal office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds of the same maturity or maturities and of authorized denomination or denominations, for the same aggregate principal amount, will be issued to the transferee in exchange therefor. The City and the Fiscal Agent shall deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal, redemption price or interest due hereof and for all other purposes.

This Bond may be exchanged at the principal office of the Fiscal Agent for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The City shall execute and the Paying Agent shall authenticate and deliver Bonds which the registered owner of any outstanding Bond or Bonds making the exchange is entitled to receive, bearing numbers not contemporaneously then outstanding. There shall be no charge for any such

exchange or transfer of Bonds, but the City or the Fiscal Agent may require payment of a sum sufficient to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the City nor the Fiscal Agent shall be required (a) to transfer or exchange Bonds for a period beginning on any Record Date and ending on any interest payment date on such Bonds or next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption, or (b) to transfer or exchange Bonds called for redemption.

This bond shall not be entitled to any security, right or benefit under the Resolution or be valid or obligatory for any purpose, unless the Certificate of Authentication hereon has been duly executed by the Paying Agent.

[End of Bond Form]

ARTICLE IV

BOOK-ENTRY SYSTEM

Section 4.01. Book-Entry System; Limited Obligation of the City. The Series 2015C Bonds initially shall be issued in the form of a separate single fully registered Series 2015C Bond (which may be typewritten) for each of the maturities of the Series 2015C Bonds. Upon initial issuance, the ownership of each such Series 2015C Bond shall be registered in the bond register in the name of the Nominee, as nominee of the Bond Depository. Except as provided in Section 4.02 hereof, all of the Outstanding Series 2015C Bonds shall be registered in the bond register in the name of the Nominee.

With respect to the Series 2015C Bonds registered in the bond register in the name of the Nominee, the City and the Fiscal Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which a Participant holds an interest in the Series 2015C Bonds. Without limiting the immediately preceding sentence, the City and the Fiscal Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Bond Depository, the Nominee or any Participant with respect to any ownership interest in the Series 2015C Bonds, (ii) the delivery to any Participant or any other Person, other than an owner as shown in the bond register, of any notice with respect to the Series 2015C Bonds, including any notice of redemption, (iii) the selection by the Bond Depository and its Participants of the beneficial interests in the Series 2015C Bonds to be redeemed in the event the City redeems the Series 2015C Bonds in part, or (iv) the payment to any Participant or any other person, other than an owner as shown in the bond register, of any amount with respect to principal of, Redemption Price, if any, or interest on, the Series 2015C Bonds. The City and the Fiscal Agent shall treat and consider the Person in whose name the Series 2015C Bond is registered in the bond register as the holder and absolute owner of such Series 2015C Bond for the purpose of payment of principal, Redemption Price, if any, and interest with respect to such Series 2015C Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2015C Bond, for the purpose of registering transfers with respect to such Series 2015C Bond, and for all other purposes whatsoever. The City shall pay all principal of, Redemption Price, if any, and interest on, the Series 2015C Bonds only to or upon the order of the respective owner, as shown in the bond register, or the owner's respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, Redemption Price, if any, and interest on, the Series 2015C Bonds to the extent of the sum or sums so paid. No Person other than an owner, as shown on the bond register, shall receive a Series 2015C Bond evidencing the obligation of the City to make payment of principal, Redemption Price, if any, and interest pursuant to this Series 2015C Resolution. Upon delivery by the Bond Depository to the City of written notice to the effect that the Bond Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Series 2015C Resolution shall refer to such nominee of the Bond Depository.

Section 4.02. Transfers Outside Book-Entry System. In the event the City determines that it is in the best interest of the City not to continue the book-entry system of transfer or that the interest of the holders of the Series 2015C Bonds might be adversely affected if the book-entry system of transfer is continued, the City may notify the Bond Depository, whereupon the Bond Depository will notify the Participants of the availability through the Bond Depository of bond certificates. In such event, the Bond Depository shall issue, transfer and exchange bond certificates in accordance with the provisions of the Resolution. In the event (i) the Bond Depository determines not to continue to act as securities depository for the Series 2015C Bonds, (ii) the Bond Depository shall no longer so act and gives notice to the City of such determination, or (iii) the City determines that the Bond Depository is incapable of discharging its responsibilities, then the City will discontinue the book-entry system with the Bond Depository with respect to the Series 2015C Bonds. If the City determines to replace the Bond Depository with another qualified securities depository or establishes its own book-entry system, the City shall prepare or direct the preparation of a new single, separate, fully registered Series 2015C Bond for each of the maturities of the applicable Series 2015C Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee. If the City fails to identify another qualified securities depository to replace the Bond Depository then the Series 2015C Bonds shall no longer be restricted to being registered in the bond register in the name of the Nominee, but shall be registered in whatever name or names owners transferring or exchanging Series 2015C Bonds shall designate, in accordance with the provisions of the Resolution.

Section 4.03. Payments to the Nominee. Notwithstanding any other provision of this Series 2015C Resolution to the contrary, so long as any Series 2015C Bond is registered in the name of the Nominee, all payments with respect to principal of, Redemption Price, if any, and interest on, such Series 2015C Bond and all notices with respect to such Series 2015C Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise agreed in writing with the Bond Depository.

Section 4.04. Initial Depository and Nominee. The initial Bond Depository under this Article IV shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

ARTICLE V

EXECUTION AND AUTHENTICATION OF THE SERIES 2015C BONDS

Section 5.01. Execution and Authentication of Series 2015C Bonds. Pursuant to the provisions of Section 5.03 of the Resolution, the Mayor is hereby authorized and directed to execute by his or her manual or facsimile signature the Series 2015C Bonds in the name of the City and the corporate seal (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon. The City Finance Officer of the City is hereby authorized and directed to attest by his or her manual or facsimile signature the execution of the Series 2015C Bonds. The City is hereby authorized to endorse the same by a certificate of authentication by the City, and shall deliver the same to or upon the order of the City, in such amounts and at such times as the City shall be directed in writing by an authorized officer of the City.

Section 5.02. No Recourse on Series 2015C Bonds. No recourse, other than recourse against the lien on the Trust Estate pursuant to the Resolution, shall be had for the payment of the principal, Redemption Price of, or interest on, the Series 2015C Bonds or for any claim based thereon or on the Series 2015C Resolution against, including without limitation, any member, officer or employee of the City or EPB or any person executing the Series 2015C Bonds, and neither the members of the City nor EPB nor any other person executing the Series 2015C Bonds shall be subject to any personal liability or accountability by reason of the issuance thereof, all such liability being expressly waived and released by every Bondholder of Series 2015C Bonds by the acceptance thereof.

ARTICLE VI

APPLICATION OF PROCEEDS

Section 6.01. Application of Proceeds and Deposit of Moneys. The City shall on the Date of Delivery of the Series 2015C Bonds apply the proceeds of the sale of the Series 2015C Bonds as follows: (a) the amount equal to the Reserve Requirement, if any, shall be deposited in the Reserve Fund (as defined in the Resolution) and (b) the balance shall be deposited in the Capital Fund.

ARTICLE VII

CONSENT TO AMNEMDNET

Section 7.01. Consent to Amendment. By purchasing the Series 2015C Bonds, each such Series 2015C Bondholder shall be deemed to have irrevocably consented to the amendment set forth in Section 7.03 of the Fifth Supplemental and Amendatory Resolution to Resolution No. 22629 dated of equal date herewith to the definition of "Cost of Operation and Maintenance" in the Resolution and such purchase shall constitute the signed written consent thereto.

ARTICLE VIII

SPECIAL COVENANTS

Section 8.01. Tax Exemption; Rebates. In order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Series 2015C Bonds, the City shall, and shall cause EPB to, comply with the provisions of the Code applicable to the Series 2015C Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the "gross proceeds" of the Series 2015C Bonds, as such term is defined in the Code, reporting of the earnings on such gross proceeds and rebates of earnings on such gross proceeds to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the City shall comply with the provisions of the Tax Certificate executed by the City in connection with the Series 2015C Bonds.

The City shall not take any action or fail to take any action which would cause the Series 2015C Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code; nor shall any part of the proceeds of the Series 2015C Bonds or any other funds of the City be used

directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Series 2015C Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

The City shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Series 2015C Bonds pursuant to Section 148(f) of the Code from moneys set aside pursuant to Section 12.03 of the Resolution.

Section 8.02. Survival of Covenant. The obligation of the City to comply with the provisions of Section 8.01 hereof with respect to the rebate to the Department of the Treasury of the United States of America relating to the Series 2015C Bonds shall remain in full force and effect so long as the City shall be required by the Code to rebate such earnings on the gross proceeds of the Series 2015C Bonds notwithstanding that the Series 2015C Bonds are no longer Outstanding.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Supplemental Resolutions. At any time or from time to time, a Supplemental Resolution of the City may be adopted for the purpose of supplementing the Resolution or amending or supplementing this Series 2015C Resolution upon the terms and conditions which are set forth in Article XII of the Resolution.

Section 9.02. Transfer of Funds. Moneys presently maintained by the City with respect to the Electric System in various funds and accounts shall be transferred to the Funds and any and all accounts thereunder established by the City pursuant to the Resolution in accordance with a certificate of an authorized officer of EPB delivered to the City upon the effective date of this Series 2015C Resolution.

Section 9.03. Incorporation of Remainder of Resolution by Reference. All provisions of the Resolution are incorporated by this reference, as if set forth in full herein, and such provisions shall remain in full force and effect and, to the extent applicable, shall apply to the Series 2015C Bonds.

Section 9.04. Continuing Disclosure Covenant. The City hereby covenants that the Series 2015C Bonds will be subject to the provisions of that certain Continuing Disclosure Agreement (the form of which is included in Exhibit C), dated the Date of Delivery of the Series 2015C Bonds by EPB, in substantially the form attached as Appendix F to the Preliminary Official Statement, as hereafter may be amended.

Section 9.05. Effective Date. This Series 2015C Resolution shall become effective immediately upon its adoption.

Section 9.06. Execution of Documents. Any authorized officer of the City is hereby authorized to execute and deliver, in the name and on behalf of the City, any and all documents and instruments, and to do and cause to be done any and all acts and things, said authorized officer deems necessary or advisable in connection with the offering, sale and issuance of the

Series 2015C Bonds and to carry out the transactions contemplated by this Series 2015C Resolution.

THE CITY OF CHATTANOOGA
$_____ Electric System Refunding Revenue Bonds, Series 2015A
$_____ Electric System Refunding Revenue Bonds, Series 2015B (Taxable)
$_____ Electric System Revenue Bonds, Series 2015C
For the Use and Benefit of
THE ELECTRIC POWER BOARD OF CHATTANOOGA

BOND PURCHASE AGREEMENT

July __, 2015

The City of Chattanooga, Tennessee
Chattanooga, Tennessee

The Electric Power Board of Chattanooga
Chattanooga, Tennessee

Ladies and Gentlemen:

Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself and as representative (the "Representative") of Jefferies LLC, FTN Financial Capital Markets, Raymond James & Associates, Inc. and SunTrust Robinson Humphrey, Inc. (collectively, with the Representative, the "Underwriters"), hereby offers to enter into this Bond Purchase Agreement (the "Purchase Agreement") with The City of Chattanooga, Tennessee, a municipality duly organized and validly existing under and pursuant to the laws of the State of Tennessee (the "Issuer"), whereby the Underwriters will purchase and the Issuer will sell the Bonds (as defined and described below) for the use and benefit of the Electric Power Board of Chattanooga ("EPB"). The Underwriters are making this offer subject to the acceptance by the Issuer at or before 5:00 P.M., Eastern Daylight Time, on the date hereof. If the Issuer accepts this Purchase Agreement, evidenced by the signatures of the Mayor and the City Finance Officer of the Issuer and an acknowledgement by the Chairman of EPB in the space provided below, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall bind the Issuer, EPB and the Underwriters. The Underwriters may withdraw this Purchase Agreement upon written notice delivered by the Representative to the Mayor of the Issuer and the Chairman of EPB at any time before the Issuer accepts this Purchase Agreement. Terms used but not defined in this Purchase Agreement are defined in the Authorizing Resolution (as defined below).

1. Purchase and Sale. Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriters hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters, all (but not less than all) of the following bonds: (i) $_____ Electric System Refunding Revenue Bonds, Series 2015A (the "Series 2015A Bonds") at the purchase price of $_____, representing the aggregate principal amount of the Series 2015A Bonds, less an Underwriter's discount of $_____ [plus net original issue premium of $_____/less net original discount of $_____], (ii) $_____ Electric System Refunding Revenue Bonds, Series 2015B (Taxable) (the "Series 2015B Bonds") at the purchase price of $_____, representing the aggregate principal amount of the Series 2015B Bonds, less an Underwriter's discount of $_____ and (iii) $_____ Electric System Revenue Bonds, Series 2015C (the "Series 2015C Bonds, and together with the Series 2015A Bonds and the Series 2015B Bonds, the "Bonds"), at the purchase price of $_____, representing the aggregate

principal amount of the Series 2015C Bonds, less an Underwriter's discount of $_____ [plus net original issue premium of $_____/less net original discount of $_____].

The Issuer and EPB acknowledge and agree that: (i) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the Issuer and the Underwriters and the Underwriters have financial and other interests that differ from those of the Issuer and EPB; (ii) the Underwriters are acting solely as principals and are not acting as municipal advisors, financial advisors or fiduciaries to the Issuer or EPB and have not assumed any advisory or fiduciary responsibility to the Issuer or EPB with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the Issuer or EPB on other matters); (iii) the only obligations the Underwriters have to the Issuer or EPB with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; and (iv) the Issuer and EPB consulted their own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent they have deemed appropriate.

2. Description and Purpose of the Bonds. The Bonds are being issued by the Issuer under, and have been authorized pursuant to, Sections 7-34-101 et seq. and 9-21-1001 et seq., Tennessee Code Annotated, the City Charter, as amended, Chapter 455 of the Private Acts of the General Assembly of the State of Tennessee of 1935, as amended (collectively, the "Act"), and a resolution entitled "Electric System Revenue Bond Resolution," adopted by the City Council of the Issuer on September 5, 2000, as supplemented by the Issuer's First Supplemental Resolution adopted on September 5, 2000, with a further amendment adopted by the Issuer on September 12, 2000, as further supplemented by the Second Supplemental Resolution for the Electric System Revenue Bonds, Series 2006A and the Third Supplemental Resolution for the Electric System Refunding Revenue Bonds, Series 2006B, adopted by the Issuer on August 1, 2006, as further supplemented and amended by the Fourth Supplemental and Amendatory Resolution adopted by the Issuer on February 19, 2008, as further supplemented by Resolution adopted by the Issuer on April 22, 2008, and as further supplemented and amended by the Fifth Supplemental and Amendatory Resolution adopted by the Issuer on June 30, 2015 and the Electric System Revenue Bond Awarding Resolution Series 2015 adopted by the Issuer on _____, 2015 (collectively, the "Authorizing Resolution"). The Bonds shall be dated the date of delivery.

The proceeds of the sale of the Series 2015A Bonds will be used to (i) refund the Issuer's _____ and (ii) pay certain costs of issuance associated with the Series 2015A Bonds. The proceeds of the sale of the Series 2015B Bonds will be used to (i) refund the Issuer's _____ and (ii) pay certain costs of issuance associated with the Series 2015B Bonds. The proceeds of the sale of the Series 2015C Bonds will be used to (i) finance certain capital improvements to the Electric System and (ii) pay certain costs of issuance associated with the Series 2015C Bonds.

The Bonds will be secured under the provisions of the Act and the Authorizing Resolution. The Bonds shall mature in the years, bear interest, be purchased at the prices and be subject to optional and mandatory redemption at the times and in the amounts, all as set forth in Schedule I attached hereto. The Authorized Denominations, Record Dates, Interest Payment Dates, Sinking Fund Payment Dates, and other details and particulars of the Bonds shall be as described in the Authorizing Resolution and the Official Statement (as defined below) of the Issuer.

3. Public Offering. The Underwriters agree to make a *bona fide* public offering of the Bonds at a price not in excess of the initial offering price or prices or yields not less than the yields set forth on the inside cover page of the printed paper form of the Official Statement of the Issuer; *provided, however*, the Underwriters reserve the right to change such initial public offering prices as the

Underwriters deem necessary or desirable, in their sole discretion, in connection with the marketing of the Bonds, and may offer and sell the Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by one or more of the Underwriters, at prices lower than the public offering prices or yields greater than the yields set forth therein. The Representative shall provide to the Issuer a certificate setting forth the offering prices of the Series 2015A Bonds and Series 2015C Bonds in substantially the form set forth on Exhibit A.

4. Delivery of the Official Statement and Other Documents.

(a) The Issuer has delivered or caused to be delivered to the Underwriters copies of the Preliminary Official Statement dated July __, 2015, which, together with the cover page and appendices thereto, is herein referred to as the "Preliminary Official Statement." It is acknowledged by the Issuer that the Underwriters may deliver the Preliminary Official Statement and a final Official Statement (as hereinafter defined) electronically over the internet and in printed paper form. For purposes of this Purchase Agreement, the printed paper form of the Preliminary Official Statement and the Official Statement are deemed controlling. The Issuer deems the Preliminary Official Statement final as of its date and as of the date hereof for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for any information which is permitted to be omitted therefrom in accordance with paragraph (b)(1) thereof.

(b) Within seven (7) business days from the date hereof, and in any event not later than two (2) business days before the Closing Date, the Issuer shall deliver to the Underwriters a final Official Statement relating to the Bonds dated the date hereof (such Official Statement, including the cover page, and all appendices attached thereto, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements and statements incorporated by reference therein or attached thereto, as have been approved by the Issuer, EPB, Katten Muchin Rosenman LLP ("Bond Counsel") and the Representative, is referred to herein as the "Official Statement") and such additional conformed copies thereof as the Representative may reasonably request in sufficient quantities to comply with Rule 15c2-12, rules of the Municipal Securities Rulemaking Board ("MSRB") and to meet potential customer requests for copies of the Official Statement. The Underwriters agree to file a copy of the Official Statement, including any amendments or supplements thereto prepared by the Issuer, in connection with EPB, with the MSRB on its Electronic Municipal Markets Access ("EMMA") system. The Mayor of the Issuer shall execute the Official Statement. The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the Issuer, in connection with EPB, shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Representative. The Underwriters hereby agree to cooperate and assist in the preparation of the Official Statement. The Issuer hereby agrees to deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission ("SEC"). The Issuer hereby ratifies, confirms and approves the use and distribution by the Underwriters before the date hereof of the Preliminary Official Statement and hereby authorizes the Underwriters to use the Official Statement and the Authorizing Resolution in connection with the public offering and sale of the Bonds.

(c) In order to assist the Underwriters in complying with Rule 15c2-12, the Issuer will instruct EPB on behalf of the Issuer to undertake, and EPB will undertake, pursuant to the Continuing Disclosure Agreement, dated as of August __, 2015 (the "Disclosure Agreement"), by and between EPB and _____, as dissemination agent for EPB (the "Dissemination Agent"), to provide annual financial information and notices of the occurrence of specified events. A description of the Disclosure

Agreement is set forth in, and a form of such agreement is attached as an appendix to, the Preliminary Official Statement and the Official Statement.

5. Representations of the Issuer. The Issuer represents to and agrees with the Underwriters that:

(a) The Issuer is duly organized and validly existing, with full legal right, power and authority to issue, sell and deliver the Bonds to the Underwriters pursuant to the Authorizing Resolution, and execute, deliver and perform its obligations, as the case may be, under this Purchase Agreement, the Authorizing Resolution, the Bonds and Refunding Escrow Agreements (collectively, the "Legal Documents"), to perform and consummate all obligations and transactions required or contemplated by each of the Legal Documents, the Official Statement and the EPB Resolution and to delegate to EPB the authority to execute and deliver the Disclosure Agreement.

(b) The Authorizing Resolution approving and authorizing the execution and delivery by the Issuer of the Legal Documents was duly adopted at meetings of the City Council of the Issuer called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed, except as provided herein.

(c) The Authorizing Resolution and the Bonds conform to the descriptions thereof contained in the Official Statement, and the Bonds, when duly issued and authenticated in accordance with the Authorizing Resolution and delivered to the Underwriters as provided herein, will be validly issued and outstanding obligations of the Issuer, entitled to the benefits of the Authorizing Resolution and payable from the sources therein specified.

(d) The Issuer has executed and delivered, or will execute and deliver on or before the Closing Date, each of the Legal Documents. Each of the Legal Documents constitutes, or will, as of the Closing Date, constitute, a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. To the best knowledge of the Issuer, each of the Legal Documents has been executed and delivered, or will be executed and delivered on or before the Closing Date, by each respective signatory and is currently in full force and effect or, as of the Closing Date, will be in full force and effect.

(e) Except as described in the Official Statement, the Issuer is not in any material respect in breach of or default under any constitutional provision, law or administrative regulation of the State or of the United States or any agency or instrumentality of either, or of any other governmental agency, or any Material Judgment or Agreement (as defined below), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any Material Judgment or Agreement; and the adoption of the Authorizing Resolution, the issuance, delivery and sale of the Bonds and the execution and delivery of the Legal Documents and compliance with and performance of the Issuer's obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any such constitutional provision, law, administrative regulation or any Material Judgment or Agreement, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer or under the terms of any such law, administrative regulation or Material Judgment or Agreement. As used herein, the term "Material Judgment or Agreement" means any judgment or decree or any loan agreement, indenture, bond, note or resolution or any material agreement or other instrument

to which the Issuer is a party or to which the Issuer or any of its property or assets is otherwise subject (including, without limitation, the Act, the EPB Resolution and the Legal Documents).

(f) All approvals, consents and orders of any governmental authority, board, agency, council, commission or other body having jurisdiction which would constitute a condition precedent to the performance by the Issuer of its obligations hereunder and under the Legal Documents have been obtained; *provided*, that the Issuer makes no representations as to any approvals, consents or other actions which may be necessary to qualify the Bonds for offer and sale under Blue Sky or other state securities laws or regulations.

(g) Any certificates executed by any officer of the Issuer and delivered to the Underwriters pursuant hereto or in connection herewith shall be deemed a representation and warranty of the Issuer as to the accuracy of the statements therein made.

(h) Between the date hereof and the time of the Closing, the Issuer shall not, without the prior written consent of the Representative, offer or issue in any material amount any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, payable from the Revenues, except in the course of normal business operations of the Issuer or except for such borrowings as may be described in or contemplated by the Official Statement.

(i) Except for information which is permitted to be omitted pursuant to Rule 15c2-12(b)(1), the Preliminary Official Statement (excluding therefrom the information in Appendix G regarding the Depository Trust Company and the information under the caption "Underwriting", as to which no representations or warranties are made), as of its date and as of the date hereof was and is true and correct in all material respects and did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) The Official Statement is, as of its date and at all times after the date of the Official Statement (excluding therefrom the information in Appendix G regarding the Depository Trust Company and the information under the caption "Underwriting", as to which no representations or warranties are made) up to and including the Closing Date will be, true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended) at all times subsequent thereto up to and including the time of the Closing, the Official Statement as so supplemented or amended will be true and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) If between the date hereof and the time of Closing, any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer shall notify the Representative thereof, and if, in the opinion of the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer, in connection with EPB, shall promptly (and in any event before the Closing) prepare and furnish (at the expense of the

Issuer or EPB) a reasonable number of copies of an amendment of or supplement to the Official Statement in form and substance satisfactory to the Representative.

(m) Except as described in the Official Statement, no litigation, proceeding or official investigation of any governmental or judicial body is pending against the Issuer or against any other party of which the Issuer has notice or, to the knowledge of the Issuer, threatened against the Issuer, (i) seeking to restrain or enjoin the issuance, sale or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity or binding effect of any of the Legal Documents, (iii) which is in any way contesting the creation, existence, powers or jurisdiction of the Issuer or the validity or effect of the Authorizing Resolution, EPB Resolution or the Act or any provision thereof or the application of the proceeds of the Bonds or (iv) which, if adversely determined, could materially adversely affect the financial position or operating condition of the Issuer or the transactions contemplated by the Official Statement or any of the Legal Documents or EPB Legal Documents (as such term is herein defined). The Issuer shall advise the Representative promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Preliminary Official Statement or the Official Statement in connection with the offering, sale or distribution of the Bonds.

All representations, warranties and agreements of the Issuer shall remain operative and in full force and effect, regardless of any investigations made by any Underwriter or on the Underwriters' behalf, and shall survive the delivery of the Bonds.

6. Representations of EPB. EPB represents to and agrees with the Underwriters that:

(a) EPB is duly organized and validly existing, with full legal right, power and authority pursuant to the provisions of the Act, the Authorizing Resolution and the resolutions adopted by EPB on June 26, 2015, and on _____, 2015 (collectively, the "EPB Resolution") to execute, deliver and perform its obligations, as the case may be, under this Purchase Agreement, the EPB Resolution and the Disclosure Agreement (collectively, the "EPB Legal Documents"), and to perform and consummate all obligations and transactions required or contemplated by each of the EPB Legal Documents, the Bonds, the Official Statement and the Authorizing Resolution.

(b) The EPB Resolution was duly adopted at meetings of EPB called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been amended or repealed, except as provided herein.

(c) EPB has executed and delivered, or will execute and deliver on or before the Closing Date, each of the EPB Legal Documents. Each of the EPB Legal Documents constitutes, or will, as of the Closing Date, constitute, a legal, valid and binding obligation of EPB enforceable in accordance with its terms, subject to any applicable bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. To the best knowledge of EPB, each of the EPB Legal Documents has been executed and delivered, or will be executed and delivered on or before the Closing Date, by each respective signatory and is currently in full force and effect or, as of the Closing Date, will be in full force and effect.

(d) Except as described in the Official Statement, EPB is not in any material respect in breach of or default under any constitutional provision, law or administrative regulation of the State or of the United States or any agency or instrumentality of either, or of any other governmental agency, or

any EPB Material Judgment or Agreement (as defined below), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any EPB Material Judgment or Agreement; and the adoption of the EPB Resolution and the execution and delivery of the EPB Legal Documents and compliance with and performance of EPB's obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any such constitutional provision, law, administrative regulation or any EPB Material Judgment or Agreement, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of EPB or under the terms of any such law, administrative regulation or EPB Material Judgment or Agreement. As used herein, the term "EPB Material Judgment or Agreement" means any judgment or decree or any loan agreement, indenture, bond, note or resolution or any material agreement or other instrument to which EPB is a party or to which EPB or any of its property or assets is otherwise subject (including, without limitation, the Act, the Authorizing Resolution and the EPB Legal Documents).

(e) All approvals, consents and orders of any governmental authority, board, agency, council, commission or other body having jurisdiction which would constitute a condition precedent to the performance by EPB of its obligations hereunder and under the EPB Legal Documents have been obtained; *provided*, that EPB makes no representations as to any approvals, consents or other actions which may be necessary to qualify the Bonds for offer and sale under Blue Sky or other state securities laws or regulations.

(f) Any certificates executed by any officer of EPB and delivered to the Underwriters pursuant hereto or in connection herewith shall be deemed a representation and warranty of EPB as to the accuracy of the statements therein made.

(g) Between the date hereof and the time of the Closing, EPB shall not, without the prior written consent of the Representative, offer or issue in any material amount any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, except in the course of normal business operations of EPB or except for such borrowings as may be described in or contemplated by the Official Statement.

(h) The financial statements of EPB for the years ended June 30, 2014 and June 30, 2013 and for the eleven-month periods ended May 31, 2015 and May 31, 2014 fairly represent the receipts, expenditures, assets, liabilities and cash balances of such amounts and, insofar as presented, other funds of EPB as of the dates and for the periods therein set forth. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Representative, there has not been any materially adverse change in the financial condition of EPB or in its operations since June 30, 2014, and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(i) Except for information which is permitted to be omitted pursuant to Rule 15c2-12(b)(1), the Preliminary Official Statement (excluding therefrom the information in Appendix G regarding the Depository Trust Company and the information under the caption "Underwriting", as to which no representations or warranties are made), as of its date and as of the date hereof was and is true and correct in all material respects and did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(j) The Official Statement is, as of its date and at all times after the date of the Official Statement (excluding therefrom the information in Appendix G regarding the Depository Trust Company and the information under the caption "Underwriting", as to which no representations or warranties are made) up to and including the Closing Date will be, true and correct in all material respects and will not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended) at all times subsequent thereto up to and including the time of the Closing, the Official Statement as so supplemented or amended will be true and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) If between the date hereof and the time of Closing, any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, EPB shall notify the Representative thereof, and if, in the opinion of the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, EPB, in connection with the Issuer, shall promptly (and in any event before the Closing) prepare and furnish (at the expense of the Issuer or EPB) a reasonable number of copies of an amendment of or supplement to the Official Statement in form and substance satisfactory to the Representative.

(m) Except as described in the Official Statement, no litigation, proceeding or official investigation of any governmental or judicial body is pending against EPB or against any other party of which EPB has notice or, to the knowledge of EPB, threatened against EPB, (i) seeking to restrain or enjoin the issuance, sale or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity or binding effect of any of the EPB Legal Documents, (iii) which is in any way contesting the creation, existence, powers or jurisdiction of EPB or the validity or effect of the Authorizing Resolution, EPB Resolution or the Act or any provision thereof or the application of the proceeds of the Bonds or (iv) which, if adversely determined, could materially adversely affect the financial position or operating condition of EPB or the transactions contemplated by the Official Statement or any of the Legal Documents or EPB Legal Documents. EPB shall advise the Representative promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Preliminary Official Statement or the Official Statement in connection with the offering, sale or distribution of the Bonds.

(n) During the last five years and except as otherwise provided in the Preliminary Official Statement and Official Statement, EPB has not failed to materially comply with any previous undertaking relating to continuing disclosure of information pursuant to Rule 15c2-12.

(o) Except for the Series 2006A Bonds, the Series 2006B Bonds and the Series 2008A Bonds, at the time of the issuance and delivery of the Bonds, there will be no other obligations which have a lien on, or are secured by a pledge of, the Trust Estate or assets or Revenues of the Electric System on a parity with the Bonds.

All representations, warranties and agreements of EPB shall remain operative and in full force and effect, regardless of any investigations made by any Underwriter or on the Underwriters' behalf, and shall survive the delivery of the Bonds.

7. Closing. At 10 A.M., Eastern Daylight Time, on August __, 2015, or at such other time or date as the Representative and the Issuer may mutually agree upon as the date and time of the Closing (the "Closing Date"), the Issuer will deliver or cause to be delivered to the Underwriters, at the offices of EPB, 10 West Martin Luther King Boulevard, Chattanooga, Tennessee 37402, or at such other place as the Representative, the Issuer and EPB may mutually agree upon, the Bonds, through the facilities of The Depository Trust Company, New York, New York ("DTC"), duly executed and authenticated, and the other documents specified in Section 8. At the Closing, (a) upon satisfaction of the conditions herein specified, the Underwriters shall accept the delivery of the Bonds, and pay the purchase price therefor in federal funds payable to the order of the Issuer for the use and benefit of EPB and (b) the Issuer shall deliver or cause to be delivered the Bonds to the Underwriters through the facilities of DTC in definitive or temporary form, duly executed by the Issuer and in the authorized denominations as specified by the Representative at the Closing and the Issuer and EPB shall deliver the other documents hereinafter mentioned. The Bonds shall be made available to the Underwriters at least one (1) business day before the Closing Date for purposes of inspection.

8. Conditions Precedent. The Underwriters have entered into this Purchase Agreement in reliance upon the representations and agreements of the Issuer and EPB contained herein and the performance by the Issuer and EPB of their obligations hereunder, both as of the date hereof and as of the Closing Date.

(a) The Underwriters' obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(i) The representations of the Issuer and EPB contained herein shall be true, complete and correct in all material respects on the date of acceptance hereof and on and as of the Closing Date.

(ii) At the time of the Closing, the Official Statement, the Legal Documents and the EPB Legal Documents shall be in full force and effect and shall not have been amended, modified or supplemented except as provided herein and as may have been agreed to in writing by the Representative.

(iii) The Issuer shall perform or have performed all of its obligations required under or specified in the Legal Documents and the Official Statement to be performed at or prior to the Closing. EPB shall perform or have performed all of its obligations required under or specified in the Authorizing Resolution, the EPB Legal Documents and the Official Statement to be performed at or prior to the Closing.

(iv) The Issuer shall have delivered to the Underwriters final Official Statements by the time, and in the numbers, required by Section 4 of this Purchase Agreement.

(v) As of the date hereof and at the time of Closing, all necessary official action of the Issuer relating to the Legal Documents and the Official Statement shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect. As of the date hereof and at the time of Closing, all necessary official action of EPB relating to the EPB Legal Documents and the Official Statement shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect.

(vi) After the date hereof, up to and including the time of the Closing, there shall not have occurred any change in or particularly affecting the Issuer, EPB, the Act, the Legal Documents, the EPB Legal Documents or the Revenues as the foregoing matters are described in the Official Statement, which in the reasonable professional judgment of the Representative materially impairs the investment quality of the Bonds.

(vii) At or prior to the Closing, the Representative shall receive the following documents (in each case with only such changes as the Representative shall approve):

(1) The approving opinions of Bond Counsel relating to the Bonds, dated the Closing Date, substantially in the form attached as Appendix E to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriters;

(2) The supplemental opinion of Bond Counsel, addressed to the Underwriters, dated the Closing Date, to the effect that:

(A) This Purchase Agreement has been duly executed and delivered by the Issuer and EPB and is a legal, valid and binding obligation of the Issuer and EPB enforceable in accordance with its terms, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally, to the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of Tennessee;

(B) The statements contained in the Official Statement on the cover page and in the sections entitled "Introduction," "Description of the Series 2015 Bonds", "Security for the Series 2015 Bonds", "Tax Matters" and Appendix D – Summary of Certain Provisions of the Bond Resolution, insofar as such statements expressly summarize certain provisions of the Authorizing Resolution, the Bonds, and the form and content of such counsel's opinion attached as Appendix E to the Official Statement, are accurate in all material respects; and

(C) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended (the "1933 Act") and the Authorizing Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act");

(3) The opinion of the City Attorney of the Issuer, dated the date of the Closing and addressed to the Underwriters, to the effect that:

(A) The Issuer has been duly organized and is validly existing under the Constitution and laws of the State of Tennessee, and has all requisite power and authority thereunder: (a) to adopt the Authorizing Resolution, and to enter into, execute, deliver and perform its covenants and agreements under the Legal Documents; (b) to approve and authorize the use, execution and distribution of the Preliminary Official Statement and the Official Statement; (c) to issue, sell, execute and deliver the Bonds; (d) to pledge the Revenues as contemplated by the Legal Documents; and (e) to carry on its activities as currently conducted;

(B) The Issuer has taken all actions required to be taken by it before the Closing Date material to the transactions contemplated by the documents mentioned in paragraph (A) above, and the Issuer has duly authorized the execution and delivery of, and the due performance of its obligations under, the Legal Documents;

(C) The Authorizing Resolution was duly adopted by City Council of the Issuer at meetings of the governing body of the Issuer which were called and held pursuant to law and with all required notices and in accordance with all applicable open meetings laws and at which a quorum was present and acting at the time of the adoption of the Authorizing Resolution;

(D) The adoption of the Authorizing Resolution, the execution and delivery by the Issuer of the Legal Documents and the compliance with the provisions of the Legal Documents, do not and will not conflict with or violate in any material respect any Tennessee constitutional, statutory or regulatory provision, or, to the best of such counsel's knowledge after due inquiry, conflict with or constitute on the part of the Issuer a material breach of or default under any agreement or instrument to which the Issuer is a party or by which it is bound;

(E) The Legal Documents constitute legal, valid and binding obligations of the Issuer and are enforceable according to the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally, and by the application of equitable principles if equitable remedies are sought, by the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of Tennessee;

(F) No litigation is pending or, to the best of such counsel's knowledge after due inquiry, threatened against the Issuer in any court in any way affecting the titles of the officials of the Issuer to their respective positions, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Legal Documents, or contesting in any way the completeness or accuracy of the Official Statement, or contesting the powers of the Issuer or its authority with respect to the Legal Documents;

(G) To the best of such counsel's knowledge after due inquiry, no authorization, approval, consent or other order of the State of Tennessee or any local agency of the State of Tennessee, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the Issuer of the Legal Documents and the authorization and distribution of the Preliminary Official Statement and the Official Statement (provided that no opinion need be expressed as to any action required under state

securities or Blue Sky laws in connection with the purchase of the Bonds by the Underwriters); and

(H) To the best of such counsel's knowledge after due inquiry, the Issuer is not in breach of or default under any applicable law or administrative regulation of the State of Tennessee or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject, which breach or default would materially adversely affect the Issuer's ability to enter into or perform its obligations under the Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially adversely affect the Issuer's ability to enter into or perform its obligations under the Legal Documents;

(4) The opinion of the General Counsel of EPB, dated the date of the Closing and addressed to the Underwriters, to the effect that:

(A) EPB has been duly organized and is validly existing under the Constitution and laws of the State of Tennessee, and has all requisite power and authority thereunder: (a) to adopt the EPB Resolution, and to enter into, execute, deliver and perform its covenants and agreements under the EPB Legal Documents and (b) to carry on its activities as currently conducted;

(B) EPB has taken all actions required to be taken by it before the Closing Date material to the transactions contemplated by the documents mentioned in paragraph (A) above, and EPB has duly authorized the execution and delivery of, and the due performance of its obligations under, the EPB Legal Documents;

(C) The EPB Resolution was duly adopted by EPB at meetings of EPB which were called and held pursuant to law and with all required notices and in accordance with all applicable open meetings laws and at which a quorum was present and acting at the time of the adoption of the EPB Resolution;

(D) The adoption of the EPB Resolution, the execution and delivery by EPB of the EPB Legal Documents and the compliance with the provisions of the EPB Legal Documents, do not and will not conflict with or violate in any material respect any Tennessee constitutional, statutory or regulatory provision, or, to the best of such counsel's knowledge after due inquiry, conflict with or constitute on the part of EPB a material breach of or default under any agreement or instrument to which EPB is a party or by which it is bound;

(E) The EPB Legal Documents constitute legal, valid and binding obligations of EPB and are enforceable according to the terms thereof, except as enforcement thereof may be limited by bankruptcy, insolvency

or other laws affecting enforcement of creditors' rights generally, and by the application of equitable principles if equitable remedies are sought, by the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of Tennessee;

(F) No litigation is pending or, to the best of such counsel's knowledge after due inquiry, threatened against EPB in any court in any way affecting the titles of the officials of EPB to their respective positions, or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the EPB Legal Documents, or contesting in any way the completeness or accuracy of the Official Statement, or contesting the powers of EPB or its authority with respect to the EPB Legal Documents;

(G) Nothing has come to the attention of such counsel which causes it to believe that the information contained in the Official Statement under the captions "Introduction – EPB", "Plan of Finance", "The Electric Power Board", "The Electric System", "Additional Financial and Operational Information", "The EPB Fiber Optics System", "Factors Affecting the Electric Utility Industry", and "Litigation and Other Proceedings" contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no opinion shall be expressed as to any financial, statistical, demographic or other numeric information, or forecasts, estimates, assumptions or expressions of opinion);

(H) To the best of such counsel's knowledge after due inquiry, no authorization, approval, consent or other order of the State or any local agency of the State, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by EPB of the EPB Legal Documents; and

(I) To the best of such counsel's knowledge after due inquiry, EPB is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which EPB is a party or is otherwise subject, which breach or default would materially adversely affect EPB's ability to enter into or perform its obligations under the EPB Legal Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially adversely affect EPB's ability to enter into or perform its obligations under the EPB Legal Documents;

(5) The opinion of Bass, Berry & Sims PLC, counsel to the Underwriters, dated the date of the Closing and addressed to the Underwriters, and covering such matters as the Representative may reasonably request;

(6) A certificate, dated the Closing Date, signed by the Mayor of the Issuer to the effect that: (a) the representations and agreements of the Issuer contained herein are true and correct in all material respects as of the date of the Closing; (b) the Legal Documents have been duly authorized and executed and are in full force and effect; (c) except as described in the Official Statement, no litigation is pending or, to his or her knowledge, threatened (i) seeking to restrain or enjoin the issuance or delivery of any of the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity of the Bonds, the Authorizing Resolution or any Legal Document, (iii) in any way contesting the creation, existence or powers of the Issuer or the validity or effect of the Act or any provision thereof or the application of the proceeds of the Bonds, or (iv) which, if adversely determined, could materially adversely affect the financial position or operating condition of the Issuer or the transactions contemplated by the Official Statement or any Legal Document; and (d) the Official Statement is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except no review has been made of information in the Official Statement under the caption "Underwriting" and in Appendix G concerning the Depository Trust Company;

(7) A certificate, dated the Closing Date, signed by the Chairman of EPB to the effect that: (a) the representations and agreements of EPB contained herein are true and correct in all material respects as of the date of the Closing; (b) the EPB Legal Documents have been duly authorized and executed and are in full force and effect; (c) except as described in the Official Statement, no litigation is pending or, to his or her knowledge, threatened (i) seeking to restrain or enjoin the issuance or delivery of any of the Bonds, (ii) in any way contesting or affecting any authority for the issuance of the Bonds or the validity of the Bonds, the EPB Resolution or any EPB Legal Document, (iii) in any way contesting the creation, existence or powers of EPB or the validity or effect of the Act or any provision thereof or the application of the proceeds of the Bonds, or (iv) which, if adversely determined, could materially adversely affect the financial position or operating condition of EPB or the transactions contemplated by the Official Statement or any EPB Legal Document; and (d) the Official Statement is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except no review has been made of information in the Official Statement under the caption "Underwriting" and in Appendix G concerning the Depository Trust Company;

(8) A certificate, dated the Closing Date, signed by the Chairman of EPB, in form and substance satisfactory to the Underwriter, to the effect that (i) the financial statements of EPB for the years ended June 30, 2014 and June 30, 2013 and for the eleven-month periods ended May 31, 2015 and May 31, 2014 fairly represent the receipts, expenditures, assets, liabilities and cash balances of such amounts and, insofar as presented, other funds of EPB as of the dates and for the periods therein set forth and (ii) except as disclosed in the Official Statement, since June 30, 2014, no materially adverse change has occurred, or any development involving a prospective material

change, in the financial position or results of operations of EPB and EPB has not incurred since June 30, 2014, any material liabilities other than in the ordinary course of business or as set forth in or contemplated by the Official Statement;

(9) Executed or certified copies of the Authorizing Resolution and the EPB Resolution;

(10) Executed or certified copies of each other Legal Document and EPB Legal Document;

(11) A Tax Certificate of the Issuer for the Series 2015A Bonds and Series 2015C Bonds, in form satisfactory to Bond Counsel, executed by such officials of the Issuer as shall be satisfactory to the Representative;

(12) Evidence satisfactory to the Representative of the assignment of long-term ratings to the Bonds of "___" and "___" by Standard & Poor's Ratings Services and Fitch Ratings, respectively;

(13) A manually signed consent of Henderson Hutcherson & McCullough, PLLC, Chattanooga, Tennessee, as to the inclusion in the Preliminary Official Statement and the Official Statement of the report of such firm on the financial statements for the years ended June 30, 2014 and June 30, 2013, included therein in Appendix A;

(14) Evidence that a Form 8038-G relating to the Series 2015A Bonds and Series 2015C Bonds has been executed by the Issuer and will be filed with the Internal Revenue Service (the "IRS") within the applicable time limit;

(15) A copy of the Blue Sky Survey with respect to the Bonds;

(16) A copy of the Issuer's executed Blanket Letter of Representation to The Depository Trust Company; and

(17) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Representative, counsel for the Underwriters or Bond Counsel may reasonably request to evidence compliance by the Issuer and EPB with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of the Issuer and EPB herein contained and the due performance or satisfaction by the Issuer and EPB at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer and EPB and all conditions precedent to the issuance of additional Bonds pursuant to the Authorizing Resolution shall have been fulfilled.

9. Termination. If the Issuer or EPB shall be unable to satisfy the conditions of the Underwriters' obligations contained in this Purchase Agreement or if the Underwriters' obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement may be cancelled by the Representative at, or at any time before, the time of the Closing. Notice of such cancellation shall be given by the Representative to the Issuer and EPB in writing, or by telephone confirmed in writing. The performance by the Issuer or EPB of any and all conditions contained in this Purchase Agreement for the benefit of the Underwriters may be waived by the Representative.

(a) The Underwriters shall also have the right, before the time of Closing, to cancel their obligations to purchase the Bonds, by written notice by the Representative to the Issuer and EPB, if between the date hereof and the time of Closing:

(i) Any event or circumstance occurs or information becomes known, which, in the professional judgment of the Representative, makes untrue any statement of a material fact set forth in the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(ii) The market for the Bonds or the market prices of the Bonds or the ability of the Underwriters to enforce contracts for the sale of the Bonds shall have been materially and adversely affected, in the professional judgment of the Representative, by:

(1) An amendment to the Constitution of the United States or the State of Tennessee shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the IRS or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of Tennessee or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the IRS or other federal or State of Tennessee authority, with respect to federal or State of Tennessee taxation upon revenues or other income of the general character to be derived by the Issuer or upon interest received on obligations of the general character of the Bonds which, in the judgment of the Representative, may have the purpose or effect, directly or, indirectly, of affecting the tax status of the Issuer, its property or income, its securities (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by State of Tennessee legislation; or

(2) The declaration of war or engagement in or escalation of military hostilities by the United States or the occurrence of any other national emergency or calamity or terrorism affecting the operation of the government of, or the financial community in, the United States; or

(3) The declaration of a general banking moratorium by federal, New York or Tennessee authorities; or

(4) The occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market; or

(5) Additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; or

(6) The general suspension of trading on any national securities exchange; or

(iii) Legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that the Bonds, other securities of the Issuer or obligations of the general character of the Bonds are not exempt from registration under the 1933 Act, or that the Authorizing Resolution is not exempt from qualification under the Trust Indenture Act; or

(iv) Any change in or particularly affecting the Issuer, EPB, the Act, the Legal Documents, the EPB Legal Documents or the Revenues as the foregoing matters are described in the Official Statement, which in the professional judgment of the Representative materially impairs the investment quality of the Bonds; or

(v) An order, decree or injunction of any court of competent jurisdiction, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws as amended and then in effect; or

(vi) A stop order, ruling, regulation or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, or the execution and delivery of any Legal Documents or EPB Legal Documents, as contemplated hereby or by the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws, including the 1933 Act, the Securities Exchange Act of 1934 or the Trust Indenture Act, each as amended and as then in effect; or

(vii) Any litigation shall be instituted or be pending at the time of the Closing to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Act, the Legal Documents, the EPB Legal Documents, the existence or powers of the Issuer with respect to its obligations under the Legal Documents or the existence or powers of EPB with respect to its obligations under the EPB Legal Documents; or

(viii) A reduction or withdrawal in any of the following assigned ratings, or, as of the Closing Date, the failure by any of the following rating agencies to assign the following ratings, to the

Bonds: the long-term ratings of "___" and "___" by Standard & Poor's Ratings Services and Fitch Ratings, respectively.

10. Indemnification. (a) EPB shall indemnify and hold harmless, to the extent permitted by law, the Underwriters and their respective directors, officers, employees and agents and each person who controls any Underwriter within the meaning of Section 15 of the 1933 Act (any such person being therein sometimes called an "Underwriter Indemnitee"), against any and all losses, claims, damages or liabilities, joint or several, (a) to which any such Underwriter Indemnitee may become subject, under any statute or regulation at law or in equity or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement of a material fact set forth in the Preliminary Official Statement or the Official Statement or any amendment or supplement to either, or arise out of or are based upon the omission to state therein a material fact which is necessary in order to make the statements made therein, in the light of the circumstances in which they were made, not misleading, except such indemnification shall not extend to statements in the Preliminary Official Statement or the Official Statement under the caption "Underwriting," and (b) to the extent of the aggregate amount paid in any settlement of any litigation commenced or threatened arising from a claim based upon any such untrue statement or omission if such settlement is effected with the written consent of EPB (which consent shall not be unreasonably withheld); and will reimburse any legal or other expenses reasonably incurred by any such Underwriter Indemnitee in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement shall not be construed as a limitation on any other liability which the Issuer or EPB may otherwise have to any Underwriter Indemnitee.

(b) For purposes of this Section 10, an "Indemnified Party" means an Underwriter Indemnitee and an "Indemnifying Party" means EPB. An Indemnified Party shall, promptly after the receipt of notice of the commencement of any action against such Indemnified Party in respect of which indemnification may be sought against an Indemnifying Party, notify the Indemnifying Party in writing of the commencement thereof, but the omission to notify the Indemnifying Party of any such action shall not relieve the Indemnifying Party from any liability that it may have to such Indemnified Party otherwise than under the indemnity agreement contained herein. In case any such action shall be brought against an Indemnified Party and such Indemnified Party shall notify the Indemnifying Party of the commencement thereof, the Indemnifying Party may, or if so requested by such Indemnified Party shall, participate therein or assume the defense thereof, with counsel satisfactory to such Indemnified Party, and after notice from the Indemnifying Party to such Indemnified Party of an election so to assume the defense thereof, the Indemnifying Party will not be liable to such Indemnified Party under this paragraph for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation. If the Indemnifying Party shall not have employed counsel to manage the defense of any such action or if the Indemnified Party shall have reasonably concluded that there may be defenses available to it or them that are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of such Indemnified Party), such Indemnified Party shall have the right to retain legal counsel of its own choosing and the reasonable legal and other expenses incurred by such Indemnified Party shall be borne by the Indemnifying Party.

An Indemnifying Party shall not be liable for any settlement of any such action effected without its consent by any Indemnified Party, which consent shall not be unreasonably withheld, but if settled with the consent of the Indemnifying Party or if there be a final judgment for the plaintiff in any such action against the Indemnifying Party or any Indemnified Party, with or without the consent of the Indemnifying Party, the Indemnifying Party agrees to indemnify and hold harmless such Indemnified Party to the extent provided herein.

(c) If the indemnification provided for in this Section is unavailable or insufficient to hold harmless an Indemnified Party under subsection (a) above, then the Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of the losses, claims, damages, liabilities or expenses referred to in subsection (a) above (i) in such proportion as is appropriate to reflect the relative benefits received by EPB on the one hand and the Underwriters on the other from the offering of the Bonds or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of EPB on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses as well as any other relevant equitable considerations. The relative benefits received by EPB on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by EPB and the Issuer bear to the total underwriting discounts and commissions received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by EPB (including, in this case, the Issuer) or the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The amount paid by an Indemnified Party as a result of the losses, claims, damages, liabilities or expenses referred to in the first sentence of this subsection (c) shall be deemed to include any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any action or claim which is the subject to this subsection (c). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

11. Amendments to Official Statement. During the period commencing on the Closing Date and ending twenty-five (25) days from the end of the underwriting period, the Issuer and EPB shall advise the Representative if any event relating to or affecting the Official Statement shall occur as a result of which it may be necessary or appropriate to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser or "potential customer" (as defined for purposes of Rule 15c2-12). If any such event occurs and in the reasonable judgment of the Representative, the Issuer and EPB, an amendment or supplement to the Official Statement is appropriate, the Issuer shall, in connection with EPB and at the expense of the Issuer or EPB, forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters) that will amend or supplement the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser or "potential customer," not misleading.

12. Expenses. All expenses and costs of the Issuer and EPB incident to the performance of their obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriters, including the costs of printing or reproduction of the Bonds, the Legal Documents, the EPB Legal Documents and the Official Statement in reasonable quantities, fees of consultants, fees of rating agencies, advertising expenses, fees and expenses of the registration and paying agent for the Bonds and fees and expenses of counsel to the Issuer, counsel to EPB and Bond Counsel, shall be paid by the Issuer and EPB from the proceeds of the Bonds or other revenues of the Issuer and EPB. The Issuer and EPB shall be solely responsible for and shall pay for any expenses incurred by the Underwriters on behalf of the Issuer's and EPB's employees and representatives which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives. All expenses and costs of the Underwriters incurred under or pursuant to

this Purchase Agreement, including, without limitation, the cost of preparing this Purchase Agreement and other Underwriter documents, travel expenses and the fees and expenses of counsel to the Underwriters, shall be paid by the Underwriters (which may be included as an expense component of the Underwriter's discount).

13. Use of Documents. The Issuer and EPB hereby authorize the Underwriters to use, in connection with the public offering and sale of the Bonds, this Purchase Agreement, the Preliminary Official Statement, the Official Statement, the Legal Documents and the EPB Legal Documents, and the information contained herein and therein.

14. Qualification of Securities. The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Representative may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and to provide for the continuance of such qualification; *provided, however*, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

15. Notices. Any notice or other communication to be given to the Issuer under this Purchase Agreement may be given by delivering the same in writing to the City of Chattanooga, 101 E. 11th Street, Chattanooga, Tennessee 37402. Any such notice or other communication to be given to EPB may be given by delivering the same in writing to the Electric Power Board of Chattanooga, 10 West Martin Luther King Boulevard, Chattanooga, Tennessee 37402. Any such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to Bank of America Merrill Lynch, One Bryant Park, 12th Floor, New York, NY 10036, Attention: Kevin Langlais.

16. Benefit. This Purchase Agreement is made solely for the benefit of the Issuer, EPB and the Underwriters (including their successors or assigns) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. Except as otherwise expressly provided herein, all of the agreements and representations of the Issuer and EPB contained in this Purchase Agreement and in any certificates delivered pursuant hereto shall remain operative and in full force and effect regardless of: (i) any investigation made by or on behalf of the Underwriters; (ii) delivery of and payment for the Bonds hereunder; or (iii) any termination of this Purchase Agreement, other than pursuant to Section 9.

17. Attorneys Fees. In the event of a dispute arising under this Purchase Agreement, the prevailing party shall have the right to collect from the other party its reasonable costs and necessary disbursements and attorneys' fees incurred in enforcing this Purchase Agreement.

18. Governing Law. THIS PURCHASE AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND FOR ALL PURPOSES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO CHOICE OF LAW RULES (OTHER THAN NEW YORK GENERAL OBLIGATIONS LAWS SECTION 5-1401 AND 5-1402); PROVIDED, HOWEVER, THAT THE OBLIGATION OF THE ISSUER AND EPB SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TENNESSEE.

19. Counterparts. This Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original hereof.

Very truly yours,

By:

MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED, as Representative

By:_____

Approved and Agreed to: July __, 2015

THE CITY OF CHATTANOOGA, TENNESSEE

By: _____
Title: Mayor

By: _____
Title: City Finance Officer

ACKNOWLEDGED:

ELECTRIC POWER BOARD OF CHATTANOOGA

By: _____
Title: Chairman

SCHEDULE I

Principal Amounts, Interest Rates and Prices

Optional and Mandatory Redemption

EXHIBIT A

ISSUE PRICE CERTIFICATE OF THE UNDERWRITER

This Certificate is furnished by Merrill Lynch, Pierce, Fenner & Smith Incorporated as representative of the underwriters (the "Underwriter") in connection with the sale and issuance by the City of Chattanooga, Tennessee (the "Issuer") of its $_____ aggregate principal amount of [Electric System Refunding Revenue Bonds, Series 2015A][Electric System Revenue Bonds, Series 2015C] (the "Bonds") issued August __, 2015, and the Underwriter hereby certifies and represents the following, based upon information available to us following due inquiry as described in the last paragraph of this certificate:

1. Based on our assessment of the then prevailing market conditions, the Underwriter reasonably expected when it agreed to purchase the Bonds (the "Sale Date") that the first prices at which at least 10% of each maturity of the Bonds would be sold by the Underwriter to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (the "Public") would be prices equal to those listed for each maturity on Schedule A hereto (the "Initial Offering Prices").

2. All of the Bonds have actually been offered to the Public in a bona fide public offering at prices equal to the Initial Offering Prices.

3. The first price at which ten percent (10%) of each maturity of the Bonds has been sold to the Public was at a price equal to the Initial Offering Prices [except for the Bonds with the following maturities:].

4. The Underwriter had no reason to believe that any of the Initial Offering Prices of the Bonds exceeded the fair market value of the Bonds as of the Sale Date.

We understand that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and by Katten Muchin Rosenman LLP, in connection with rendering its opinion to the Issuer that the interest on the Bonds is not includable in gross income of the owners thereof for federal income tax purposes. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's interpretation of any laws; in particular the regulations under the Internal Revenue Code of 1986, or the application of any laws to these facts. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding the matters set forth herein. Although certain information furnished in this Certificate has been derived from other purchasers, bond houses and brokers and cannot be independently verified by us, we have no reason to believe it to be untrue in any material respect.

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, as Representative of the Underwriters

By:
[NAME]
[TITLE]

Dated: _____

14306754.3

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY ___, 2015

NEW ISSUE - BOOK ENTRY ONLY

Ratings: "__" Fitch
"__" S&P
(See "Ratings" herein)

In the opinion of Katten Muchin Rosenman LLP, Bond Counsel, under existing law, if there is continuing compliance with certain requirements of the Internal Revenue Code of 1986, interest on the Series 2015A Bonds and Series 2015C Bonds will not be includable in gross income for federal income tax purposes. Interest on the Series 2015A Bonds and Series 2015C Bonds is not required to be included as an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the Series 2015A Bonds is includable in corporate earnings and profits and therefore must be taken into account when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. Under existing law, each series of the Series 2015 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes. See "TAX MATTERS" herein.

THE CITY OF CHATTANOOGA
$_____* ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2015A
$_____* ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2015B (TAXABLE)
$_____* ELECTRIC SYSTEM REVENUE BONDS, SERIES 2015C
For the Use and Benefit of
THE ELECTRIC POWER BOARD OF CHATTANOOGA

Dated: Date of Delivery — Due: September 1, as shown on inside cover

The Electric System Refunding Revenue Bonds, Series 2015A ("Series 2015A Bonds"), the Electric System Refunding Revenue Bonds, Series 2015B (Taxable) ("Series 2015B Bonds") and the Electric System Revenue Bonds, Series 2015C ("Series 2015C Bonds" and, together with the Series 2015A Bonds and the Series 2015B Bonds, the "Series 2015 Bonds") will be issued in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Payment of the principal of and interest on the Series 2015 Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners (as defined herein) of the Series 2015 Bonds, all as described herein. See "DESCRIPTION OF THE SERIES 2015 BONDS - Book-Entry-Only System."

The Series 2015 are being issued by the City of Chattanooga, Tennessee (the "Issuer" or "City") to (i) refund certain of its outstanding Electric System Revenue Bonds, Series 2006A, Electric System Refunding Revenue Bonds, Series 2006B and Electric System Revenue Bonds, Series 2008A; (ii) fund certain capital improvements to the City's electric system (the "Electric System"); and (iii) pay the costs of issuing the Series 2015 Bonds.

The Series 2015 Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2015 Bonds will be payable on March 1 and September 1 of each year, commencing March 1, 2016, to the owners thereof as shown on the registration books maintained by Regions Bank, Atlanta, Georgia, as paying agent and bond registrar (the "Registration Agent"). The Series 2015 Bonds will bear interest from their dated date. See "DESCRIPTION OF THE SERIES 2015 BONDS - Denominations, Principal Amount, Interest, Maturity and Date."

The Series 2015 Bonds are subject to redemption prior to maturity as described herein.

MATURITY SCHEDULE – See Inside Cover

The Series 2015 Bonds are secured by and are payable from a first pledge of and lien on the Revenues (as defined in Appendix D hereto) derived from the operation of the Electric System of the City (the "Electric System"), on parity with the City's remaining outstanding Electric System Revenue Bonds, Series 2006A, Electric System Refunding Revenue Bonds, Series 2006B and Electric System Revenue Bonds, Series 2008 and any parity bonds hereafter issued. **The Series 2015 Bonds are limited obligations of the City, payable solely from the Revenues of the Electric System. Neither the full faith and credit nor the taxing power of the City is pledged to the payment of the Series 2015 Bonds. See "SECURITY FOR THE SERIES 2015 BONDS."**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2015 Bonds are offered, when, as and if issued by the Issuer, subject to prior sale, to the withdrawal or the modification of the offer without notice, and to the approval of legality by Katten Muchin Rosenman LLP, New York, New York ("Bond Counsel"). Certain legal matters will be passed upon for the Issuer by Wade A. Hinton, City Attorney, Chattanooga, Tennessee, for the Electric Power Board of Chattanooga by its counsel, Miller & Martin PLLC, Chattanooga, Tennessee, and for the Underwriters by their counsel, Bass, Berry & Sims PLC, Nashville, Tennessee. The Series 2015 Bonds will be available for delivery through DTC on or about _____, 2015*.

BofA Merrill Lynch

Jefferies — **FTN Financial Capital Markets**

Raymond James — **SunTrust Robinson Humphrey**

Dated: July __, 2015

* Preliminary, subject to change.

AMOUNTS, MATURITIES, INTEREST RATES,
PRICES OR YIELDS, AND CUSIP NUMBERS

THE CITY OF CHATTANOOGA
$_____* ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2015A

Maturity* (September 1)	Amount*	Interest Rate	Price or Yield	CUSIP**

THE CITY OF CHATTANOOGA
$_____* ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2015B (TAXABLE)

Maturity* (September 1)	Amount*	Interest Rate	Price or Yield	CUSIP**

THE CITY OF CHATTANOOGA
$_____* ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2015C

Maturity* (September 1)	Amount*	Interest Rate	Price or Yield	CUSIP**

**CUSIP numbers have been assigned by an organization not affiliated with the Issuer and are included solely for the convenience of the holders of the Series 2015 Bonds. The issuer is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness in the Series 2015 Bonds or as indicated above.

THE CITY OF CHATTANOOGA, TENNESSEE

MAYOR

The Honorable Andy Berke

CITY COUNCIL

Carol B. Berz, Chairman

Moses Freeman, Vice Chair
Chris Anderson
Ken Smith
Chip Henderson

Yusuf Hakeem
Jerry Mitchell
Larry Grohn
Russell Gilbert

Sandra Freeman – Clerk of the Council
Daisy W. Madison – City Finance Officer
Wade A. Hinton – City Attorney

CHATTANOOGA ELECTRIC POWER BOARD

L. Joe Ferguson, Chairman
Warren E. Logan, Jr., Vice Chairman
John Foy
Vicky Gregg
Jon Kinsey

General Counsel – Carlos C. Smith, Miller & Martin PLLC

MANAGEMENT

Harold E. DePriest ..... President and CEO
Gregory S. Eaves..... Executive VP and CFO
David Wade .....Executive VP and COO
Diana Bullock ..... VP, Economic Development and Government Relations
Steve L. Clark..... Senior VP, Strategic Systems
Kathy Burns ..... Senior VP, Customer Relations
Danna Bailey..... VP, Corporate Communications
Jim Ingraham..... VP, Strategic Research
Katie Espeseth..... VP, New Products
Marie Webb ..... VP, Human Resources
David Johnson..... VP, IT and CIO
J. Ed. Marston ..... VP, Marketing
Ryan Keel..... VP, Technical Operations
Kade Abed ..... VP, Field Operations

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy. Nor shall there be any such offer or solicitation of the Series 2015 Bonds in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such jurisdiction.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, sales person or any other person has been authorized to give any information or make any representation, other than those contained herein, in connection with the offering of the Series 2015 Bonds and, if given or made, such information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy by any person in any jurisdiction in which it is unlawful for such person to make such offer or solicitation in such jurisdiction.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor the sale of any of the Series 2015 Bonds implies that there has been no change in the affairs of the Issuer, EPB or the other matters described herein since the date hereof. The information set forth herein has been provided by the Issuer and EPB and by other sources believed to be reliable, but it is not guaranteed as to its accuracy or completeness.

THE UNDERWRITERS HAVE ADVISED THE CITY THAT IN CONNECTION WITH THE OFFERING OF THE SERIES 2015 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No registration statement relating to the Series 2015 Bonds has been filed with the Securities Exchange Commission or any state securities agency. The Series 2015 Bonds have not been approved or disapproved by the Securities Exchange Commission or any state securities agency, nor has the Securities Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

In making an investment decision, investors must rely on their own examination of the City, EPB and the Electric System and the terms of the offering, including the merits and risks involved.

TABLE OF CONTENTS

INTRODUCTION.....1

General 1
EPB.....2
Defined Terms 2

THE ISSUER.....2

PLAN OF FINANCE.....3

DESCRIPTION OF THE SERIES 2015 BONDS.....4

Authority for Issuance.....4
Denominations, Registration, Transfers and Exchanges 4
Optional Redemption.....4
Mandatory Redemption 6
Notice of Redemption.....7
Effect of Redemption.....7

SECURITY FOR THE SERIES 2015 BONDS.....8

Pledge of Revenues.....8
Rate Covenant.....8
Flow of Funds; Debt Service Reserve Fund.....8
Additional Obligations.....9
Future Capital Requirements and Indebtedness 9
Electric System Indebtedness 10

THE ELECTRIC POWER BOARD.....11

History and Organizational Structure 11
Management Team 11

THE ELECTRIC SYSTEM.....12

Source of Electric Power 12
Retail Electric Rates 13
Transmission Lines and Substations.....15
Distribution System 15
Engineering, Construction and Maintenance.....15
Environmental Compliance.....16
Future Power Supply Arrangements 16

FINANCIAL INFORMATION **.....17**

Statement of Net Position 17
Statement of Revenues, Expenses & Changes in Net Position.....17
Coverage Analysis 19
Customer Analysis 20

ADDITIONAL FINANCIAL AND OPERATIONAL INFORMATION.....22

Employee Relations, Benefit Plans and Health Care 22
Insurance, Self-Insurance and Job Injury Claims.....23

THE EPB FIBER OPTICS SYSTEM 24

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY 25

LITIGATION AND OTHER PROCEEDINGS.....27

TAX MATTERS 28

Opinion of Bond Counsel 28
Bonds Purchased at a Premium or at a Discount.....28
Exclusion from Gross Income: Requirements 28

VERIFICATION OF MATHEMATICAL COMPUTATIONS 30

FORWARD-LOOKING STATEMENTS...30

APPROVAL OF LEGAL PROCEEDINGS30

CONTINUING DISCLOSURE.....31

CERTIFICATION AS TO OFFICIAL STATEMENT 31

INDEPENDENT AUDITORS 31

RATINGS 31

UNDERWRITING 31

MISCELLANEOUS 33

APPENDICES

Audited Financial Statements for the Years Ended June 30, 2014 and 2013 ..... Appendix A

Electric System Unaudited Financial Statements for the Eleven-Month Periods Ended May 31, 2015 and May 31, 2014 ..... Appendix B

City of Chattanooga's Supplemental Information Statement ..... Appendix C

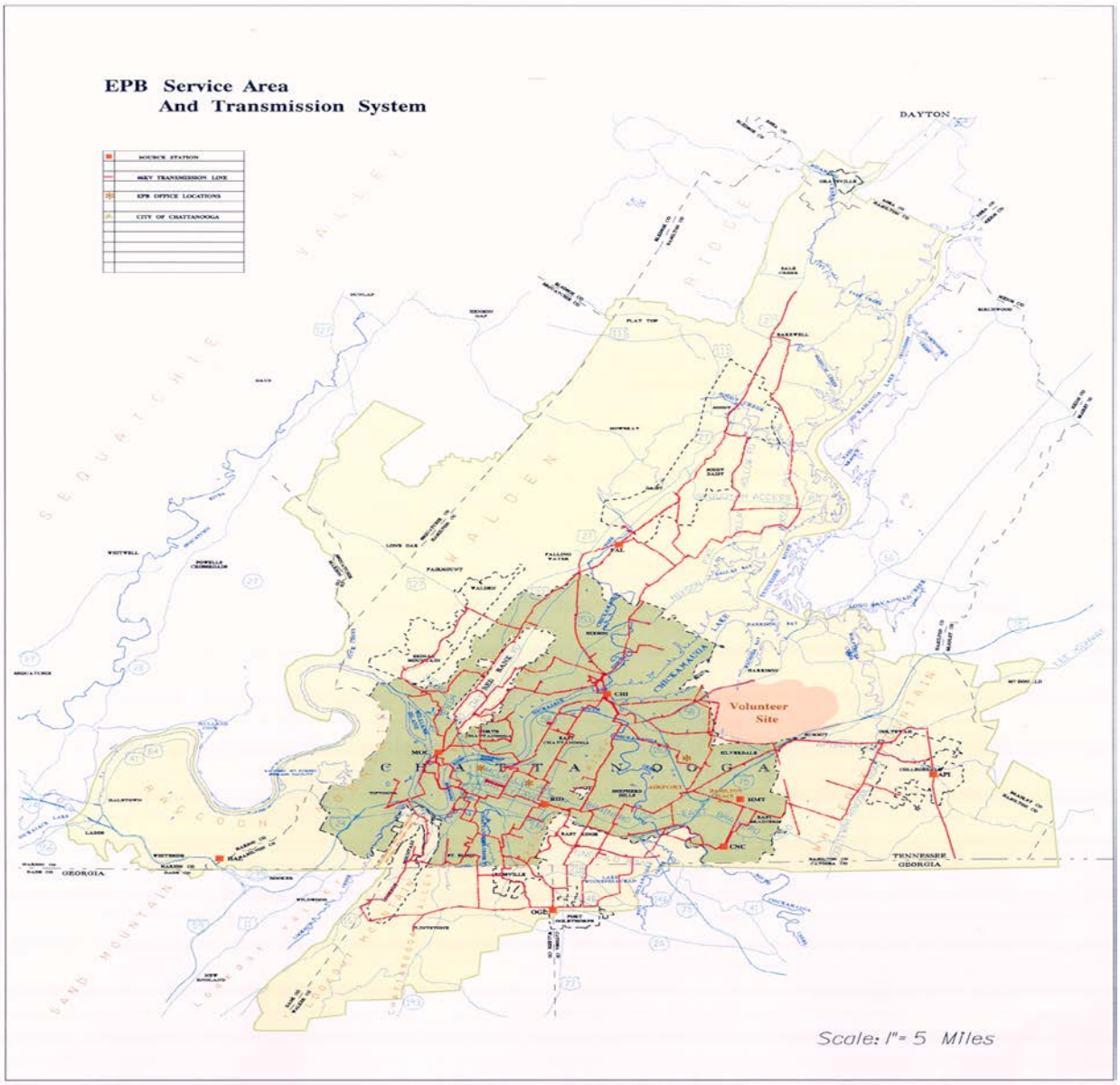
Summary of Certain Provisions of the Resolution ..... Appendix D

Proposed Form of Opinions of Bond Counsel ..... Appendix E

Proposed Form of Continuing Disclosure Agreement ..... Appendix F

Information Regarding the Depository Trust Company ..... Appendix G

Electric System Rate Schedule ..... Appendix H



OFFICIAL STATEMENT

Relating to
THE CITY OF CHATTANOOGA, TENNESSEE
$_____* Electric System Refunding Revenue Bonds, Series 2015A
$_____* Electric System Refunding Revenue Bonds, Series 2015B (Taxable)
$_____* Electric System Revenue Bonds, Series 2015C

For the Use and Benefit of
THE ELECTRIC POWER BOARD OF CHATTANOOGA

INTRODUCTION

General

This Official Statement (including the cover page and inside cover page hereof and the Appendices hereto) is furnished by the City of Chattanooga, Tennessee (the "Issuer" or "City") and the Electric Power Board of Chattanooga ("EPB") to provide information concerning the electric transmission and distribution system operated by EPB (the "Electric System"), and the offering by the Issuer of its Electric System Refunding Revenue Bonds, Series 2015A (the "Series 2015A Bonds"), its Electric System Refunding Revenue Bonds, Series 2015B (Taxable) (the "Series 2015B Bonds") and its Electric System Revenue Bonds, Series 2015C (the "Series 2015C Bonds" and, together with the Series 2015A Bonds and the Series 2015B Bonds, the "Series 2015 Bonds") on behalf of EPB.

The Series 2015 Bonds are being issued by the Issuer under and pursuant to Sections 7-34-101 et seq. and 9-21-1001 et seq., Tennessee Code Annotated (together, the "Act"), the City Charter, which was approved by referendum on January 7, 2000, as amended (the "City Charter"), Chapter 455 of the Public Acts of the General Assembly of the State of Tennessee of 1935, as amended ("the Enabling Act") embodied within the City Charter, and a resolution of the Issuer adopted on September 5, 2000, entitled "Electric System Revenue Bond Resolution" (the "Bond Resolution") together with the Issuer's First Supplemental Resolution adopted on September 5, 2000 (the "First Supplemental Resolution"), and with a further amendment to the Bond Resolution adopted by the Issuer on September 12, 2000 (the "First Amendment to Bond Resolution"); and as supplemented by the Second Supplemental Resolution for the Electric System Revenue Bonds Series 2006 A (the "Second Supplemental Resolution") and the Third Supplemental Resolution for the Electric System Refunding Revenue Bonds Series 2006B, adopted by the Issuer on August 1, 2006 (the "Third Supplemental Resolution"); as supplemented and amended by the Fourth Supplemental and Amendatory Resolution adopted February 19, 2008 (the "Fourth Supplemental and Amendatory Resolution"), and as supplemented by the Fifth Supplemental and Amendatory Resolution adopted June 30, 2015 (the "Fifth Supplemental and Amendatory Resolution") and the Sixth Supplemental Resolution adopted June 30, 2015 (the "Sixth Supplemental Resolution"). The Bond Resolution, the First Supplemental Resolution, the First Amendment to Bond Resolution, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental and Amendatory Resolution, the Fifth Supplemental and Amendatory Resolution and the Sixth Supplemental Resolution are together referred to as the "Resolution".

The Resolution sets forth the terms of the Series 2015 Bonds, governs EPB's application of the Revenues (as defined in Appendix D) of the Electric System, and includes covenants regarding the operation of the Electric System. The Resolution requires that EPB set rates in each year sufficient to provide for 100% of the payment of operating costs and all Electric System debt service. The Resolution requires that EPB establish a debt service reserve fund in the event that Revenues, after providing for the payment of operating expenses, are less than 150% of annual debt service requirements. Currently, EPB's rate coverage is in excess of 150%, and no reserve fund is maintained. The Resolution prohibits the issuance of additional bonds on parity with the Series 2015 Bonds unless the Electric System's revenues, after providing for the payment of operating costs, are at least 110% of the maximum annual debt service on then outstanding bonds and any proposed bonds. For a description of the terms of the Resolution, see "SECURITY FOR THE SERIES 2015 BONDS" herein, and Appendix D – Summary of Certain Provisions of the Resolution.

* Preliminary and subject to change

The Series 2015 Bonds are payable from and secured by a first lien on the Revenues of the Electric System. The Issuer has previously issued on behalf of EPB and has outstanding its Electric System Revenue Bonds, Series 2006A (the "2006A Bonds"), its Electric System Revenue Bonds, Series 2006B (the "2006B Bonds"), and its Electric System Revenue Bonds, Series 2008A (the "2008A Bonds"). These bonds were also issued pursuant to the Resolution and are also secured by a first lien on the Revenues of the Electric System. For a discussion of the sources of payment and security for the Series 2015 Bonds, see "SECURITY FOR THE SERIES 2015 BONDS" herein.

THE SERIES 2015 BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, AND NO HOLDER OF THE SERIES 2015 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE ISSUER TO EXERCISE ITS TAXING POWER TO PAY DEBT SERVICE ON THE SERIES 2015 BONDS.

The Series 2015 Bonds are being issued to (i) refund certain maturities of the 2006A Bonds, the 2006B Bonds and the 2008A Bonds, (ii) fund certain capital improvements to the Electric System, and (iii) pay the costs of issuing the Series 2015 Bonds.

EPB

EPB is a municipal utility system that provides retail electric service through its Electric System to approximately 175,000 ratepayers in the City and in Hamilton County, Tennessee, and portions of five other counties in Tennessee, and three counties in Georgia. EPB does not own any generation facilities and presently purchases its entire power supply requirements under a wholesale power contract (the "Power Contract") with the Tennessee Valley Authority ("TVA"), a federal governmental instrumentality created by Congress pursuant to the Tennessee Valley Authority Act of 1933, as amended, (the "TVA Act"). The Power Contract provides that EPB may sell power to all customers in its service area, except certain federal installations and large customers, which TVA may serve directly. The Power Contract establishes the rates and terms and conditions under which power is to be purchased from TVA and distributed to the customers of EPB. EPB's customer rates are set at levels sufficient to cover the cost of power supplied by TVA under the Power Contract and EPB's costs of operation.

EPB also provides telecommunications, video and Internet services to approximately 73,000 customers through its Fiber Optic System (the "Fiber Optic System"). The Series 2015 Bonds are not payable from or secured by Fiber Optic System revenues. However, the Fiber Optic System uses certain assets of the Electric System and makes annual payments to the Electric System with respect to such use. These payments to the Electric System constitute Revenues of the Electric System, and are available for and pledged to the payment of debt service on bonds secured by Revenues of the Electric System, including the Series 2015 Bonds. The Electric System is also obligated, in certain circumstances, to loan funds to the Fiber Optic System, as more fully described herein.

Under the City Charter and the provisions of the Enabling Act, the governing board of EPB is delegated the exclusive authority and responsibility for the operation of the Electric System. There are five members of EPB's governing board, who serve for terms of five years each, with one term expiring each calendar year. Board members and their successors are appointed by the Mayor of the City of Chattanooga, and are subject to confirmation by the Chattanooga City Council.

Defined Terms

Capitalized terms used but not defined herein shall have the meanings ascribed in Appendix D – Summary of Certain Provisions of the Bond Resolution.

THE ISSUER

The City is a political subdivision of the State of Tennessee and issues bonds on behalf of and for the use and benefit of EPB. The City is the fourth largest city in the State of Tennessee and serves as County seat of Hamilton County, Tennessee. The City is commercially and industrially developed and is the center of a six-county Metropolitan Statistical Area (the "MSA"), which includes Hamilton County and the counties of Marion and Sequatchie, Tennessee, and the counties of Catoosa, Dade and Walker, Georgia. The Tennessee River flows through the center of the City, which has a diversified terrain. The MSA is centrally located in relation to other major population centers of the Southeast, being within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia.

The City operates under a Mayor/Council form of government. The Mayor is elected at large and is not a member of the City Council. The City Council is composed of nine members, with each member being elected from one of nine districts within the geographic boundaries of the City. The Mayor and Council are elected for four-year

terms. The Mayor is the chief executive officer of the City and oversees the operations of all departments of the City.

The Issuer is further described in its Supplemental Information Statement, which is included herein as Appendix C.

PLAN OF FINANCE

The proceeds from the sale of the Series 2015A Bonds and the Series 2015B Bonds will be used to refund the maturities of the 2006A Bonds, the 2006B Bonds and the 2008A Bonds identified below, and to pay costs of issuing the Series 2015A and 2015B Bonds.

Series	Maturity	Par Amount	CUSIP

The proceeds of the Series 2015A and Series 2015B Bonds (other than amounts used to pay issuance costs) will be deposited, together with funds of EPB, to an escrow fund (the "Escrow Fund") created pursuant to an escrow trust agreement, dated as of _____, 2015 (the "Escrow Agreement"), between the City and Regions Bank, Atlanta, Georgia, as escrow agent thereunder (the "Escrow Agent"). The Escrow Agent shall invest monies on deposit in the Escrow Fund in Federal Securities, as defined in Appendix D (the "Escrowed Securities"). Neither the principal of nor the interest on the Escrowed Securities will be available for the payment of the Series 2015 Bonds. Upon such deposit of the Escrowed Securities and moneys in the Escrow Fund and in compliance with other provisions of the Resolution, the Refunded Bonds will be deemed paid and will cease to be entitled to any lien, benefit or security under the Resolution and all covenants, agreements and obligations afforded the holders of the Refunded Bonds under the Resolution shall be discharged and satisfied. Upon issuance of the Series 2015 Bonds, the City will irrevocably instruct the Escrow Agent to redeem the Refunded Bonds on their earliest optional redemption dates.

The proceeds of the sale of the Series 2015C Bonds will be used to finance the capital costs incurred in connection with the improvement of the Electric System in accordance with EPB’s capital improvement plan, and to pay costs of issuing the Series 2015C Bonds.

SOURCES AND USES OF FUNDS

The sources and uses of funds for the Series 2015 Bonds are estimated as follows:

Sources of Funds	Series 2015A Bonds	Series 2015B Bonds	Series 2015C Bonds
Par Amount	$_____	$_____	$_____
Original Issue Premium (Discount)	_____	_____	_____
EPB Contribution	_____	_____	_____
Total Sources	$_____	$_____	$_____
Uses of Funds			
Deposit to Project Fund	_____	_____	_____
Deposit to Escrow Fund	_____	_____	_____
Costs of Issuance[(1)]	_____	_____	_____
Total Uses	$_____	$_____	$_____

(1) *Includes all fees and expenses, including underwriter's discount and expenses*

DESCRIPTION OF THE SERIES 2015 BONDS

Authority for Issuance

The Series 2015 Bonds are being issued by the Issuer under and pursuant to the Act, the City Charter, the Enabling Act and the Resolution.

The Series 2015 Bonds are secured on a parity basis with the Issuer's remaining outstanding 2006A Bonds, 2006B Bonds and 2008A Bonds and all other bonds hereafter issued as parity bonds under the Resolution. The aggregate amount of outstanding 2006A Bonds, 2006B Bonds and 2008A Bonds (prior to the issuance of the Series 2015 Bonds) was $263,925,000 as of June 30, 2015. Together, the 2006A Bonds, the 2006B Bonds, the 2008A Bonds and the Series 2015 Bonds may be collectively referred to as the "Bonds."

Denominations, Registration, Transfers and Exchanges

The Series 2015 Bonds will be issued in the denomination of $5,000 each or integral multiples thereof as fully registered bonds in the aggregate principal amount of $_____*, and will be dated the date of delivery. Interest on the Bonds will be payable semiannually on March 1 and September 1 of each year, commencing March 1, 2016. The Bonds will mature on the dates set forth on the inside cover page hereof.

Ownership of the Series 2015 Bonds will be registered on the registration books kept by the Registration Agent. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

The Depository Trust Company ("DTC") will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds are issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Bond for each maturity of each series of Series 2015 Bonds is issued for such maturity of Series 2015 Bonds in the principal amount of such maturity of the Series 2015 Bonds, and is deposited with DTC. So long as the Series 2015 Bonds are held in the book-entry system, DTC or its nominee will be the registered owner of the Series 2015 Bonds for all purposes of the Resolution, the Series 2015 Bonds and this Official Statement. Ownership of Series 2015 Bonds held by DTC or its nominee, Cede & Co., may be transferred and Series 2015 Bonds may be exchanged in accordance with the rules and procedures of DTC. DTC's book-entry system, along with its rules and procedures, are described in "APPENDIX G – INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY".

Optional Redemption

Series 2015A and 2015C Bonds. The Series 2015A Bonds and the Series 2015C Bonds maturing on or after September 1, ____ are subject to redemption at the option of the City on or after September 1, ____ in whole or in part at any time at par plus accrued interest to the redemption date.

Series 2015B Bonds. The Series 2015B Bonds are subject to redemption at the option of the City in whole or in part at any time at the Make-Whole Redemption Price (as defined below) determined by the Designated Investment Banker (as defined below).

The "Make-Whole Redemption Price" is the greater of (1) the issue price as shown on the inside cover page of this Official Statement (but not less than 100% of the principal amount of the Series 2015B Bonds to be redeemed), or (2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Series 2015B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2015B Bonds are to be redeemed, discounted to the date on which such Series 2015B Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the "Treasury Rate" (defined below) plus _____ basis points, plus accrued and unpaid interest on the Series 2015B Bonds to be redeemed on the redemption date.

"Business Day" means a day other than a day on which commercial banks located in Chattanooga, Tennessee or New York, New York are required or authorized by law to close.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2015B Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

"Comparable Treasury Issue" means, with respect to any redemption date for a particular Series 2015B Bond, the U.S. Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Series 2015B Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such Series 2015B Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series 2015B Bond, (i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of five Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than five Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers appointed by the City.

"Reference Treasury Dealer" means each of five firms, specified by the City from time to time, that are primary U.S. Government securities dealers in the City of New York (each, a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2015B Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the City by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the Valuation Date.

"Valuation Date" means a date that is no earlier than four days prior to the date the redemption notice is to be mailed.

Mandatory Redemption

Series 2015A Bonds. The Series 2015A Bonds maturing on _____, are subject to redemption at their principal amount, without any premium, plus accrued interest thereon to such redemption date on _____in the years and amounts as set forth below, or, if less than such amount is then outstanding, an amount equal to the aggregate principal amount of such bonds then outstanding.

Year	Amount

Series 2015B Bonds. The Series 2015B Bonds maturing on _____, are subject to redemption at their principal amount, without any premium, plus accrued interest thereon to such redemption date on _____in the years and amounts as set forth below, or, if less than such amount is then outstanding, an amount equal to the aggregate principal amount of such bonds then outstanding.

Year	Amount

Series 2015C Bonds. The Series 2015C Bonds maturing on _____, are subject to redemption at their principal amount, without any premium, plus accrued interest thereon to such redemption date on _____in the years and amounts as set forth below, or, if less than such amount is then outstanding, an amount equal to the aggregate principal amount of such bonds then outstanding.

Year	Amount

If less than all of the Series 2015 Bonds are to be redeemed, the City may select the Series and maturity or maturities to be redeemed. If less than all of a maturity of the Series 2015A Bonds or the Series 2015C Bonds is to be redeemed, the Series 2015A or 2015C Bonds or portions thereof to be redeemed are to be selected by the Registration Agent or DTC, as applicable, by lot in accordance with their respective standard procedures. If less than all of a maturity of the Series 2015B Bonds is to be redeemed, the particular Series 2015B Bonds to be redeemed shall be determined by the Registration Agent, using such method as it shall deem fair and appropriate. If the Series 2015B Bonds are registered in book-entry only form, and so long as DTC or a successor securities depository is the sole registered owner of the Series 2015B Bonds, if less than all of a maturity of the Series 2015B Bonds of a maturity are called for redemption, the particular Series 2015B Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2015B Bonds are held in book-entry form, the selection for redemption of such Series 2015B Bonds shall be made in accordance with the operational arrangements of DTC then in effect. It is City's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made in accordance with the pro rata pass-through distribution of principal basis described below. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among registered owners on such basis. If the DTC operational arrangements do not allow for the redemption of the Series 2015B Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the Series 2015B Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

As used herein, the phrase "pro rata pass-through distribution of principal basis" means that any redemption of less than all of a maturity of the Series 2015B Bonds shall be allocated among the registered owners of such Series 2015B Bonds as nearly as practicable in proportion to the principal amounts of the Series 2015B Bonds owned by each registered owner, subject to the authorized denominations applicable to the Series 2015B Bonds. This will be calculated based on the following formula: (a) principal amount to be redeemed, multiplied by (b) principal amount owned by registered owner, divided by (c) principal amount outstanding.

Notice of Redemption

Notice of the redemption of the Series 2015 Bonds shall be mailed by the Registration Agent, postage prepaid, not less than twenty-five days prior to the redemption date, to the registered Holders of any Bonds or portions of the Series 2015 Bonds to be redeemed, at their last addresses appearing upon the registration books of the Issuer, but failure to give any such notice by mail or any defect in any such notice shall not affect the validity of the proceedings for the redemption of any other Series 2015 Bonds. Any notice, which is mailed in the manner described in the preceding sentence, shall be conclusively presumed to have been duly given, whether or not the registered Holder receives such notice.

Effect of Redemption

If, on the redemption date, moneys for the redemption of all the Series 2015 Bonds of a maturity to be redeemed, together with accrued interest to the redemption date, shall be held by the Paying Agent so as to be available therefor on the redemption date and if notice of redemption shall have been given as described above, the Series 2015 Bonds of a series or portions of Series 2015 Bonds of a series so called for redemption shall become due and payable at the applicable Redemption Price plus accrued interest; the interest on such Bonds of a series or portions of such Bonds of a series shall cease to accrue; the Series 2015 Bonds of a maturity or portions of Series 2015 Bonds of a maturity so called for redemption shall cease to be entitled to any benefit or security under the Resolution; and the registered Holders of such Series 2015 Bonds or portions of such Series 2015 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof plus accrued interest and to receive Series 2015 Bonds for any unredeemed portion of Series 2015 Bonds.

SECURITY FOR THE SERIES 2015 BONDS

Pledge of Revenues

Pursuant to the Resolution, the Bonds are payable from and secured by an irrevocable lien on and irrevocable pledge of all Electric System Revenues (as defined in Appendix D), all amounts held in the funds, accounts and subaccounts established by the Resolution derived from Electric System operations, and certain other amounts described in the Resolution (collectively, the "Trust Estate"). THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE ISSUER, AND NO HOLDER OF THE BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE ISSUER TO EXERCISE ITS TAXING POWER TO PAY DEBT SERVICE ON THE BONDS.

For a more extensive discussion of the terms and provisions of the Resolution, the levels at which the funds and accounts established thereby are to be maintained and the purposes to which moneys in such funds and accounts may be applied, see the Summary of the Resolution in Appendix D, which includes definitions of terms that are capitalized but not defined in the following summary. A more limited summary of certain provisions of the Resolution follows.

Rate Covenant

The Resolution requires EPB to charge and collect rates, rentals, fees and charges for the use of and for the services and products provided by the Electric System as are expected to be sufficient in each Fiscal Year to produce Revenues in an amount at least equal to 100% of the sum of (1) Costs of Operation and Maintenance for such Fiscal Year, (2) the Debt Service Requirement for such Fiscal Year, (3) amounts payable with respect to Subordinated Indebtedness and Subordinated Contract Obligations in such Fiscal Year, and (4) amounts required to maintain the Reserve Fund in accordance with the requirements of the Resolution.

Flow of Funds; Debt Service Reserve Fund

The Resolution requires EPB to deposit all Revenues of the Electric System to the EPB Electric Fund. From the Electric Fund, EPB is to make the following payments in the following order of priority:

(1) To pay Costs of Operation and Maintenance or establish reserves therefor.

(2) To deposit to a debt service sinking account within the Electric Fund amounts necessary to accrue for debt service obligations on the Bonds.

(3) During such times as the debt service Reserve Fund is required to be funded (see below), to make deposits to the Debt Service Reserve Fund established by the Resolution.

(4) To pay debt service on Subordinate Indebtedness.

(5) To be used to make any other lawful payment, including payments in lieu of taxes.

In the event that an EPB audit reflects that Revenues for the applicable fiscal year, after providing for the payment of Costs of Operation and Maintenance, are less than 150% of the debt service on the Bonds during such fiscal year, the Resolution requires EPB to fund the Reserve Fund for the benefit of the Bonds, in the amounts and in the manner described in "Appendix D -- Summary of Certain Provisions of the Resolution – Debt Service Reserve Fund". To date, EPB has not been required to fund the Reserve Fund. Any amounts on deposit in the Reserve Fund may be used solely for the purpose of curing deficiencies in the Electric Fund for the payment when due of the principal of and interest on the Bonds. If funds on deposit in the Reserve Fund or the available amount under a Reserve Product on deposit in the Reserve Fund exceed in the aggregate the Reserve Requirement, the excess cash shall be deposited into the Electric Fund. Upon the initial delivery of the Series 2015 Bonds the Reserve Fund shall be unfunded, and the City shall only be required to fund the Reserve Fund upon the occurrence of the condition described above.

If at any time EPB is required to fund the Reserve Fund, the amount may be funded in up to twelve substantially equal consecutive monthly deposits commencing not later than the month following the receipt of audited financial statements which reflect the Revenue deficiency.

The Reserve Requirement may be funded with cash or Investment Obligations, or one or more Reserve Products, or a combination thereof, all as described in the Resolution.

Additional Obligations

Additional Obligations may be issued or Parity Debt may be incurred from time to time under the Resolution on parity in all respects with the Bonds for any lawful purpose of the City in connection with the Electric System if:

(1) the City and EPB are not in default in the performance of the terms and provisions of the Resolution; and

(2) the Net Revenues of the Electric System as shown on the then-most recent available audited financial statements of the Electric System, adjusted as described below, equal or exceed 1.1 times the maximum annual Debt Service Requirement for all Outstanding Obligations and Parity Debt and the additional Obligations proposed to be issued or Parity Debt proposed to be incurred for the first complete Bond Year during which such additional Obligations or Parity Debt shall be Outstanding.

In calculating Net Revenues of the Electric System for purposes of paragraph (2) above, the City and EPB may make adjustments to reflect (i) previously enacted rate increases, and (ii) the financial impact of distribution system acquisitions to be funded with the proceeds of the additional obligations.

Subordinate Indebtedness may be issued at any time without regard to the tests set forth in the preceding paragraphs.

For a more extensive discussion of the terms and provisions of the Resolution related to the sources of payment of and security for the Series 2015 Bonds, see "SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION" in APPENDIX D hereto.

Payments in Lieu of Taxes

EPB is required to make payments in lieu of taxes to the City, Hamilton County and to other jurisdictions in which it has property and customers. The State of Tennessee has a specific formula for the calculation of in lieu of taxes for municipal electric systems, based generally on a percentage of electric plant value and a percentage of net operating revenue. Under Tennessee law, payments in lieu of taxes are required annually, but only from funds available after the payment of operating expenses and debt service. See the line item entitled "Property Tax Equivalents" in "FINANCIAL INFORMATION – Statement of Revenues, Expenses & Changes in Net Position" for the amount of payments in lieu of taxes made by the Electric System for the 2010-2014 fiscal years.

Future Capital Requirements and Indebtedness

EPB's current five-year capital improvement program contemplates between $40 and $50 million in annual capital expenditures through fiscal year 2019. The proceeds of the Series 2015C Bonds will fund approximately $30 million of these expenditures. EPB expects to fund the balance of the expenditures from Electric System funds, and has no current plan to incur additional indebtedness to finance its capital improvement program.

Electric System Indebtedness

In addition to the Series 2015 Bonds, the City has issued the 2006A Bonds, the 2006B Bonds and the 2008A Bonds on behalf of EPB, all of which are payable from and secured by a senior lien on Electric System Revenues. The Electric System also maintains on a year-to-year basis a $25 million line of credit to finance unexpected expenses (e.g., storm or weather-related expenses) on a short-term basis. EPB expects to maintain this line of credit, but only for emergency purposes; it has not and has no current expectation of drawing on the line of credit. The line of credit is secured by a subordinate pledge of Electric System Revenues. Other than the 2006A Bonds, the 2006B Bonds, the 2008A Bonds, the Series 2015 Bonds and the line of credit described above, there is no other debt secured by a lien on the Net Revenues of the Electric System. The following table sets forth the Electric System's bond debt service requirements during each calendar year after the issuance of the Series 2015 Bonds. EPB is not currently party to any finanical derivative products or agreements.

	Outstanding Debt Service			Less Debt Service on Refunded Bonds			Plus Debt Service on the Series 2015 Bonds			Total Debt Service		
Year Ending June 30	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	$8,075,000	$12,501,891	$20,576,891							$8,075,000	$12,501,891	$20,576,891
2017	9,390,000	12,139,409	21,529,409							9,390,000	12,139,409	21,529,409
2018	9,740,000	11,752,134	21,492,134							9,470,000	11,752,134	21,492,134
2019	10,165,000	11,299,894	21,464,894							10,165,000	11,299,894	21,464,894
2020	10,640,000	10,809,163	21,449,163							10,640,000	10,809,163	21,449,163
2021	11,145,000	10,293,313	21,438,313							11,145,000	10,293,313	21,438,313
2022	11,675,000	9,749,853	21,424,853							11,675,000	9,749,853	21,424,853
2023	12,230,000	9,176,388	21,406,388							12,230,000	9,176,388	21,406,388
2024	12,820,000	8,575,806	21,395,806							12,820,000	8,575,806	21,395,806
2025	13,435,000	7,945,581	21,380,581							13,435,000	7,945,581	21,380,581
2026	14,080,000	7,282,075	21,362,075							14,080,000	7,282,075	21,362,075
2027	14,760,000	6,580,097	21,340,097							14,760,000	6,580,097	21,340,097
2028	15,485,000	5,837,738	21,322,738							15,485,000	5,837,738	21,322,738
2029	16,245,000	5,058,878	21,303,878							16,245,000	5,058,878	21,303,878
2030	17,045,000	4,241,706	21,286,706							17,045,000	4,241,706	21,286,706
2031	17,880,000	3,382,763	21,262,763							17,880,000	3,382,763	21,262,763
2032	18,760,000	2,479,988	21,239,988							18,760,000	2,479,988	21,239,988
2033	19,685,000	1,525,625	21,210,625							19,685,000	1,525,625	21,210,625
2034	20,670,000	516,750	21,186,750							20,670,000	516,750	21,186,750
Total	$263,925,000	$141,149,050	$405,074,050							$263,925,000	$141,149,050	$405,074,050

THE ELECTRIC POWER BOARD

History and Organizational Structure

EPB was created by the Enabling Act and signed into law by Tennessee Governor Hill McAlister on April 17, 1935, as an amendment to the Charter of the City of Chattanooga, Tennessee (the "City Charter"). On August 15, 1939, EPB, which had begun building its own electric system in Chattanooga, bought the Chattanooga area facilities of the Tennessee Electric Power Company, for $10,850,000. In 1972, the City of Chattanooga adopted the home rule form of municipal government by approval of a majority vote of the voters at a referendum. The provisions of the original Enabling Act, as periodically amended by act of the Tennessee General Assembly from 1935 until 1972, as a part of the City Charter, continued in effect as a part of the Charter of the City of Chattanooga under its home rule charter. As a home rule city, the City may adopt its own ordinances and resolutions as long as such ordinances and resolutions are not inconsistent with the laws of the State of Tennessee or the scope and extent of the authority extended to municipalities by the General Laws of the State of Tennessee.

Pursuant to the provisions of the 1935 Enabling Act, as amended by subsequent Private Acts of the Tennessee General Assembly and by the referendum of the voters in 1972, the exclusive management and control of the EPB is vested within a five-member governing board, on which members serve for terms of five years each, with the term of one board member to expire on April 15 of each year and until the respective board member's successors are elected and qualified. Under the City Charter, Board appointments originate within the office of the Mayor and are subject to confirmation by the City Council. The Board, so appointed, is empowered by the City Charter to elect its own Board Chairman on a periodic basis.

The City Charter also designates the positions of EPB General Counsel and Secretary to the Board, to be appointed by the governing board of EPB. The governing board of EPB is authorized to delegate the management of its operations to a general manager, which the governing board has done by specifying that such delegation shall be made to a President and Chief Executive Officer. The practice of the Board has been to designate a member of EPB management to serve as Secretary, typically the Chief Financial Officer or a person holding a similar position.

Management Team

The following are brief biographies of EPB's Chief Executive Officer and its Executive Vice Presidents:

Harold E. DePriest, President and Chief Executive Officer

Harold E. DePriest, 66, an electrical engineer who began his career at EPB in 1971 as a Junior Engineer, became its General Manager on October 1, 1996. He succeeded Kenneth S. Baxter, becoming the sixth General Manager in EPB history. Shortly after his appointment, Mr. DePriest's title was changed by action of the governing board of EPB to that of President and Chief Executive Officer in keeping with his executive responsibilities and those holding the similar leadership positions in the business community.

Mr. DePriest worked in EPB's Engineering Division for 13 years, advancing in 1977 to Manager of the Underground Engineering Department. He was promoted to Vice President of the General Services Division in 1984 and became Operating Division Vice President in 1986. On May 20, 1996, he was appointed Executive Vice President.

While Mr. DePriest was Vice President of the Operating Division, which installs, operates, and maintains EPB's electric system, he focused on finding ways to increase the reliability of the Electric System and to shorten the response time when power outages occur. He led the division efforts to restore service following the Blizzard of 1993, the Ice Storm of 1994, Hurricane Opal in 1995 and the Ice Storm of 1996.

A native of Linden, Tennessee, Mr. DePriest is an honors graduate of Tennessee Technological University in Cookeville with a degree in Electrical Engineering. He obtained an MBA degree from the University of Tennessee at Chattanooga. Mr. DePriest is a member of the Rotary Club and serves on the boards of directors of the Tennessee Valley Public Power Association (including three terms as Chairman), Tennessee Fiber Optic Communities (of which he is a founding member and current Chairman), the United Way and the Enterprise Center of Chattanooga. Mr. DePriest has 44 years of related utility experience.

Gregory S. Eaves, Executive Vice President and Chief Financial Officer

Gregory S. Eaves, 51, a Certified Public Accountant, began his career with EPB in 2004. Before joining EPB, he was Vice President, Finance of Burner Systems International, Inc., a manufacturer of components for the gas appliance industry. Mr. Eaves was with Burner Systems for 12 years. During his tenure with Burner Systems,

Mr. Eaves was an executive member of the merger and acquisition team that handled the due diligence, acquisition, financing, and consolidation efforts of four companies with seven manufacturing facilities in the United States, Europe, and Mexico. Mr. Eaves is responsible for cash management, corporate accounting and legal. He also serves as Secretary of EPB, as well as a trustee for various EPB retirement trust funds.

A native of Chattanooga, Mr. Eaves is a graduate of the University of Tennessee at Chattanooga. He is a member of the Alumni and Accounting Advisory Boards of the University of Tennessee at Chattanooga, a board member of Siskin Children's Institute and board member of Cornerstone Bancshares Foundation. He is a member of the Chattanooga chapter of Financial Executives International and former board member, the Chattanooga chapter of Tennessee Society of CPAs and Downtown Chattanooga Rotary Club. Mr. Eaves has 29 years of financial experience in manufacturing, healthcare, financial and utility services.

David Wade, Executive Vice President and Chief Operating Officer

David Wade, 56, holds a Bachelor of Science in Engineering from the University of Tennessee at Chattanooga and has 28 years of experience in the electrical industry ranging from hands-on construction to engineering. In April 2005, Mr. Wade became the Senior Vice President of the Electric System. In that role, Mr. Wade helped lead EPB to build EPB's smart electric distribution system.

Mr. Wade is a member of Downtown Rotary, and he served on the Board of Habitat for Humanity and is a board member of River City Company. Mr. Wade served on the City Mayor's Green Committee and is a member of the Grid Edge Council. Mr. Wade has almost 32 years' experience with EPB and an additional five years' experience in electric related fields.

THE ELECTRIC SYSTEM

EPB provides electric service to approximately 175,000 customers in an approximate 600-square-mile area composed of the City, most of Hamilton County, and small parts of Bledsoe, Bradley, Marion, Rhea, and Sequatchie Counties in Tennessee, as well as portions of the adjacent Catoosa, Dade, and Walker Counties in North Georgia. EPB is the primary distributor of electric power within the boundaries of the Issuer. The major portions of the counties adjacent to Hamilton County listed above are served by cooperative utilities.

Source of Electric Power

EPB presently does not own any electric power and generation facilities. The Electric System is an electric transmission and distribution system that purchases all of its electrical power and energy requirements from TVA for distribution to EPB's customers.

EPB has a long-term wholesale power contract with TVA (the "Power Contract"). Under the terms of the Power Contract, TVA is to provide to EPB and EPB is to take and distribute to its customers the electric power required for service to EPB's customers. The Power Contract, effective as of January 23, 1989, carried an initial term of 20 years. Effective October 1, 1989, the term of the Power Contract was amended to include a new provision that provided that after the Power Contract was effective for a period of ten years from its initial anniversary date of January 23, 1989; it is automatically extended for one additional year beyond its then-existing termination date on each subsequent anniversary date thereafter unless terminated by either party upon on not less than ten years' prior written notice. In the fiscal year ending June 30, 2014, EPB paid TVA approximately $436,507,000. The cost of the purchased power was approximately 80% of EPB's total electric sales for the period.

TVA generates much of the electrical power and energy distributed to its distributors, including EPB, but also purchases some of its electrical power and energy from third parties. TVA transmits the electrical power and energy over its transmission system and sells such power and energy at wholesale rates to its distributors, of which EPB is one. TVA also directly serves a limited number of large customers and federal installations.

EPB receives its power from TVA at 14 delivery points: TVA substations located at Chickamauga Dam and Haletown, and EPB substations located at Moccasin Bend, Oglethorpe, Concord, Ridgedale, Falling Water, Hamilton Place, Hawthorne, Cummings, West Ooltewah, North Hixson, Volkswagen and Apison. The maximum capacity for these 14 delivery points is 2,680 MW, providing a substantial margin over EPB's highest demand of 1328 MW (January, 2014).

The Power Contract provides that TVA shall make every reasonable effort to increase the generating capacity of its system and to provide the transmission facilities required to deliver output thereof so as to be in a position to supply additional power when and to the extent needed by EPB. TVA approves rules and regulations in effect between EPB and its customers, and those rules and regulations form a part of the Power Contract in effect

between EPB and TVA. Under EPB's rules and regulations, EPB agrees to use reasonable diligence to provide a regular and uninterrupted supply of electricity to its customers. The rules and regulations provide that EPB shall not be liable for any loss, injury, property damage from failure to supply electricity, interruption, delay in restoration, mechanical failure, single-phasing, voltage irregularities, fire, labor difficulties, riots, explosion, breakdown, external forces, flood, acts of God, or the public enemy. The amount of power supplied by TVA and the contractual obligation to supply such power are limited by the capacity of TVA's generating and transmission facilities and the availability of power purchased from other generating facilities.

The Power Contract provides that EPB may sell power to all customers in its service area, except certain federal installations and large customers, which TVA may serve directly.

The Power Contract (which, together with related terms and conditions, rules and regulations, supplements and related agreements, may be referred to herein as the "Basic Power Agreements") contains provisions that establish the wholesale rates, resale rates and terms and conditions under which power is to be purchased by TVA and distributed to the customers of EPB. Under these contracts, TVA, on a quarterly basis, may determine and make adjustments in the wholesale rate schedule with corresponding adjustments in resale rate schedules necessary to enable TVA to meet all requirements of the Tennessee Valley Authority Act of 1933, as amended, (the "TVA Act") and the tests and provisions of TVA's bond resolutions. The Basic Power Agreements provide for agreement between the parties to these agreements on general or major changes in both the wholesale and resale rate schedules. If, however, agreement is not reached, the contracts permit TVA to make changes in these schedules to carry out the objectives of the TVA Act, to meet financial requirements and tests and to comply with the provisions of TVA's bond resolutions. Since 2006, TVA's rate-setting procedures have included a fuel cost adjustment (or "FCA") to make adjustments to TVA's wholesale rates based upon changing fuel and purchased power costs. TVA's FCAs were initially made on a quarterly basis. In 2009, TVA changed the frequency of its FCAs from quarterly to monthly.

The cost and availability of power to EPB may be affected by, among other things, factors relating to TVA's nuclear program, fuel supply, environmental considerations such as stricter emissions standards and future legislation regulating the use of fossil fuel, changes in TVA's wholesale rate design, the construction and financing of future generating and transmission facilities and other factors relating to TVA's ability to supply the power demands of its customers including EPB. EPB cannot determine with any precision EPB's future cost of wholesale power purchased from TVA, and EPB's wholesale power costs could be impacted by any combination of the above or other factors.

More information concerning TVA and its financial condition, including some of those factors discussed above, is available in TVA's Form 10-K Annual Report filing, as amended, with the Securities Exchange Commission for the period ending September 30, 2014. The Consolidated Appropriations Act, 2005 added a provision to the Securities Exchange Act of 1934, as amended (the "Exchange Act") that requires TVA to file with the Securities Exchange Commission such periodic, current and supplementary information, documents, and reports as would be required pursuant to Section 13 of the Exchange Act if TVA were an issuer of a security registered pursuant to Section 12 of the Exchange Act. Extensive information concerning TVA is available in the public domain, and potential purchasers of the Series 2015 Bonds should obtain and review such information.

Retail Electric Rates

The Basic Power Agreements establish the resale rates that EPB and other distributors charge the ultimate power consumers. These rates are revised from time to time to reflect changes in costs, including changes in the wholesale cost of power. While the wholesale rates are uniformly applicable to all distributors of TVA power under the present power contracts with distributors such as EPB, the retail resale rates will vary among distributors of TVA power depending upon the respective distributor's retail customer distribution costs. The rates of TVA for the sale of electric power in the TVA region and its contracts with distributors, including TVA, are structured with the intent to achieve the TVA Act's objective of the distributors of TVA power, including EPB, to operate the respective distribution systems on a nonprofit basis and to provide a wide and ample supply of power at the lowest feasible rates.

The Power Contract provides that EPB will use its gross revenues from its electric operations to pay for, in the following order, (1) current operating expenses; (2) current payment of interest and debt due, including sinking fund payments, when due; (3) reasonable reserves for renewals, replacements, contingencies, and working capital; and (4) payments in lieu of taxes. Any revenues remaining over and above the preceding requirements are considered to be surplus, under the terms of the Power Contract, and may be used for Electric System construction or retirement of Electric System indebtedness before maturity. Within certain parameters of discretion concerning

various factors affecting the earnings of EPB and its future financial needs, rates and charges are to be reduced to practicable levels.

EPB's retail resale rates are subject to TVA's review and approval under the provisions, terms and conditions of the Power Contract. The Power Contract provides for revisions to the resale rates that may be charged by EPB when necessary to permit EPB to operate on a self-supporting and financially sound basis. EPB is not aware of any pending legislation that would propose to make its retail electric rates subject to regulation by any third party or agency other than TVA's. The Power Contract further provides that if the resale rates set forth therein do not provide sufficient revenues for the operation and maintenance of EPB's Electric System on a self-supporting, financially-sound basis, including debt service, TVA and EPB shall agree to changes in rates to provide increased revenues. Similarly, if the rates and charges produce excess revenues, the Power Contract provides that the parties will agree to appropriate reductions. Since the date of the Power Contract, the wholesale and resale rates have been adjusted from time to time.

TVA has adjusted its wholesale base power rates on four occasions since 2009, as described in the chart below. In each case, EPB's retail rates were adjusted to pass-through the TVA wholesale rate adjustment. This pass-through retail rate adjustment is also listed in the chart below. In addition, EPB's retail rates are structured such that TVA's FCA is a pass-through to the Electric System's customers and does not directly affect the Electric System's operating income.

TVA Rate Adjustments Since 2009

Month	TVA Wholesale Rate Increase	EPB Retail Rate Impact
October 2009	9.0%	7.6%
October 2011	3.1%	2.5%
October 2013	2.6%	2.1%
October 2014	2.6%	2.1%

Effective April 2011, TVA implemented a seasonal Time-of-Use (TOU) wholesale rate structure. With the TOU rate structure, TVA provides distributors with a monthly wholesale power cost invoice, calculated by applying the respective rates detailed below to usage measured at TVA's wholesale metering points. All usage measured from the separate wholesale metering points are combined by TVA and billed as a single wholesale meter. Qualifying industrial and commercial customer loads are removed from the total wholesale system load being billed on the TOU rate structure. The qualifying industrial and commercial customer loads are billed separately under an End-Use rate structure. As a result of this wholesale rate change, retail customers experience seasonal rates which have different prices during different seasons of the year.

TVA has notified its electric distributors, including EPB, that it proposes to make two changes to its wholesale rate structure in October 2015. The first change would alter the wholesale rate methodology to further implement TOU-based pricing. This change is purportedly revenue-neutral to TVA. The second change would be an increase to the TVA wholesale TOU rate, and a corresponding decrease in rates to qualifying industrial and commercial customer loads removed from the total wholesale system load. EPB expects that both of these TVA wholesale rate changes will be passed onto EPB customers through a corresponding adjustment to EPB's retail rates, and that such rate changes will not have any material effect on EPB's electric revenues or expenses.

In the last five years, EPB has adjusted its retail electric rates twice. In July 2011, EPB adopted an effective rate increase of 5%. Effective July 2015, EPB will make adjustments to its customer and usage charges for residential and certain classes of commercial customers, which will result in an effective rate increase of 3.5% on those customers. EPB expects this rate adjustment to generate approximately $16.8 million in additional annual revenues. In each case, the rate adjustment was made to provide additional funds for Electric System operating expense and capital needs.

Attached hereto as Appendix H are EPB's retail electric rates effective July 1, 2015.

Transmission Lines and Substations

EPB's Electric System is connected to the TVA system at 14 delivery points with a total infeed capacity of 2,680 MW. This capacity consists of six 161 kilovolt to 46 kilovolt substations, one 161 kilovolt to 46 kilovolt to 12 kilovolt substation, six 161 kilovolt to 12 kilovolt substations, and one substation which EPB purchases from TVA at 12 kilovolts.

EPB's 314-mile, 46-kilovolt sub-transmission system feeds 99 distribution substations, 60 of which are 12-kilovolt distribution, four of which are 12 kilovolt and four kilovolt distribution, and 35 of which are 4-kilovolt distribution substations. Distribution substation capacity is 2,218,200 KVA. This past summer's maximum demand was 1134 MW and winter was 1309 MW.

The 46-kilovolt system is primarily a loop with a limited amount of radial and provides alternate feeds to most substations. The capacity is reviewed annually to be able to supply peak loads with at least one contingency (line or infeed station) outage.

Distribution System

This system is made up of approximately 2,900 circuit miles of overhead 4,000- and 12,000-volt distribution lines, and 730 miles of underground conduit carrying 4,000- and 12,000-volt distribution lines, and 99 substations. Approximately 297 distribution circuits operating at 12,000 volts and 4,000 volts originate at the distribution substation busses and are routed throughout Hamilton County and into eight surrounding counties to feed approximately 175,000 customers of EPB.

The concentrated downtown Chattanooga area is served by an underground network system. Outside the downtown area, EPB is installing new electric underground distribution lines where they are physically and economically feasible. The change from overhead to underground has involved advanced engineering technology and new types of material as well as new equipment and trained personnel. EPB adds approximately 40 miles of distribution lines each year.

Smart Grid Infrastructure

In the last ten years, EPB has constructed and installed a fiber-based communications infrastructure ("Smart Grid Infrastructure") throughout EPB's Electric System service area. The Smart Grid Infrastructure has enhanced the quality and efficiency of the Electric System's electric service in the following areas:

Reliability: Smart Grid Infrastructure automation has resulted in an estimated 45% improvement in annual customer outage minutes. In the two most recent major weather events, the automation achieved through Smart Grid Infrastructure reduced outage minutes by approximately 55%.

Cost Savings: Smart Grid Infrastructure reduces the Electric System's operating expenses by, among other things, (i) allowing the Electric System to read electric meters remotely, (ii) allowing the Electric System to remotely connect and disconnect meters, (iii) enabling the Electric System to reduce power theft and other thefts involving Electric System assets, such as copper theft, and (iv) enabling the Electric System to implement demand side management programs, utilize time of use rates and better manage its peak load.

Environmental Benefits: Because EPB's meter reading and switching services are automated, Electric System truck mileage has been reduced by approximately 419,000 miles per year (approximately 435,000 lbs. of CO_2 avoided).

Other Benefits: Smart Grid Infrastructure (i) enables the Electric System to more efficiently utilize capital expenditures by improved sizing of substations, line conductors, and distribution transformers; and (ii) enhances customer service by providing real-time consumption reports to both customers and customer service representatives.

Engineering, Construction and Maintenance

Most transmission, substation and distribution engineering is performed by EPB personnel. Four engineering departments combine efforts to prepare plans that will provide service to new customers, maintain adequate service to existing customers and prepare long-range plans to accommodate electric loads for customers of the future.

Both EPB employees and contract employees perform construction and maintenance work. EPB employees are well equipped and trained to perform any required work. EPB has shops, laboratory equipment, test apparatus and instruments. Two-way radio systems and cellular units provide communications with mobile field units.

Environmental Compliance

EPB is subject to federal, state and local laws and regulations pertaining to the environment. EPB has installed hazardous waste communications procedures under the right-to-know law and has initiated guidelines for the use, handling and storage of polychlorinated biphenyls ("PCBs"). EPB has in place spill prevention and clean-up programs.

Future Power Supply Arrangements

EPB (along with a number of other TVA distributors) has expressed interest in further revising the Basic Power Agreements to allow it more options with respect to the term of the contract and other matters, such as either purchasing only a portion of its power requirements from TVA or participating in distributor-owned generation projects.

TVA management has indicated its willingness to discuss with EPB (and other distributors) to accommodate this desire for more flexibility. Recent discussions have focused principally on ways in which EPB and other distributors can own interests in generating facilities while TVA remains the principal supplier of their power requirements. These discussions, while still in the early stages, may provide the framework for the distributors of TVA power to own interests in some of the future generating facilities used to serve TVA distributors' load.

The TVA Board of Directors would have to authorize such amendments, and the TVA Board of Directors has not acted upon or yet authorized any such amendments to the Power Contract with EPB or other distributors of TVA power. EPB has actively participated in those discussions, and EPB may in the future participate in distributor-owned generation projects, either directly or through one or more joint action structures.

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FINANCIAL INFORMATION

The following selected financial data of the Electric System for the fiscal years 2010-2014 has been summarized or derived from EPB's audited financial statements. The audited financial statements for fiscal years 2014 and 2013 can be found in "APPENDIX A – Audited Financial Statements for the Years Ended June 30, 2014 and 2013". This data should be read in conjunction with the financial statements and notes thereto.

Statement of Net Position

(in thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Assets					
Utility Plant (net)	$408,476	$460,166	$498,594	$499,806	$518,493
Current Assets	258,293	206,781	166,573	206,753	182,770
Intercompany Notes	57,000	46,763	45,874	-	-
Other Non-Current Assets	7,266	6,012	5,403	4,766	2,580
Total Assets	$731,035	$719,722	$716,444	$711,325	$703,843
Liabilities and Net Position					
Net Position	$280,886	$263,153	$267,902	$273,508	$273,525
Current Liabilities	130,669	132,001	125,196	120,231	124,626
Other Non-Current Liabilities	319,480	324,568	323,346	317,586	305,692
Total Liabilities and Net Position	$731,035	$719,722	$716,444	$711,325	$703,843

Statement of Revenues, Expenses & Changes in Net Position

(in thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Electric Sales	$473,767	$535,581	$544,177	$535,967	$545,852
Purchased Power	(390,597)	(453,780)	(434,816)	(426,696)	(436,507)
Margin	83,170	81,801	109,361	109,271	109,345
Other Electric Revenue, net	9,415	14,014	16,921	18,554	20,874
Interest Income, Intercompany	2,587	1,897	1,073	159	-
Other Interest Income	2,998	1,035	398	372	263
Total Other Revenues	15,000	16,946	18,392	19,085	21,137
Operating Expenses	54,897	64,948	63,568	60,074	64,499
Property Tax Equivalents	11,744	13,822	15,268	16,479	16,796
Depreciation, including autos	23,640	26,992	31,798	33,486	34,968
Interest Expense on Long-Term Debt	13,621	13,276	13,089	12,965	12,648
Gain/Loss on Investments	58	-	-	-	
Capitalized Interest Expense	(2,705)	(2,558)	(719)	(254)	(566)
Total Expenses	101,255	116,480	123,004	122,750	128,345
Change in Net Position	$(3,085)	$(17,733)	$4,749	$5,606	$2,137

EPB has provided unaudited financial statements for the Electric System for the eleven month periods ending May 31, 2015 and May 31, 2014, attached as Appendix B. The first eleven months of fiscal year 2015 has continued the financial performance of fiscal year 2014. Total electric operating revenues were $514.2 million, a decrease of 0.2% over the same period in fiscal year 2014. Purchased power expense increased by 1.6% to $399.8 million resulting in operating margin of $114.4 million, which is a decrease of $7.0 million over the same period in fiscal year 2014.

Year-to-date operating expenses excluding purchased power, depreciation, social security and other taxes, and property tax equivalents are tracking 11.1% below prior year to $52.8 million. This decrease is principally due to reduced major-storms expense of $4.8 million, additional cost allocations to the Fiber Optic System of $3.7 million and increased operations division costs of $1.9 million.

Depreciation of $32.2 million and property tax equivalents of $16.4 million increased over the prior year by 4.7% and 6.3%, respectively, as a result of normal capital spending.

Net change in assets for the eleven months decreased from $3.1 million in fiscal 2014 to $0.3 million in 2015 due to the increased purchased power costs related to unusual weather patterns resulting in increased demand charges.

Net plant value increased from $516.4 million in May 2014 to $533.7 million as of May 2015.

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Coverage Analysis

The following table details the actual five year history of debt service coverage.

(in thousands)

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues					
Electric Revenue	$483,071	$549,533	$560,996	$554,300	$566,519
Interest Income	2,998	1,035	398	372	263
Other Income	5,432	1,959	1,175	379	207
Total Revenue	491,501	552,527	562,569	555,051	566,989
Expenses					
Purchased Power	390,597	453,780	434,816	426,696	436,507
Operating Expenses [1]	54,897	64,948	63,568	60,074	64,499
Total Operating Expenses	445,494	518,728	498,384	486,770	501,006
Funds Available for Debt Service	$ 46,007	$ 33,799	$ 64,185	$ 68,281	$ 65,983
Debt Service					
Interest Paid on Long-Term Debt	$13,618	$13,500	$13,377	$13,256	$13,084
Less Capitalized Interest on Borrowings	(10,765)	(5,382)	-	-	-
Retirement of Principal	2,670	2,710	2,750	2,965	6,000
Total Debt Service	$5,523	$10,828	$16,127	$16,221	$19,084
Coverage	8.3x	3.1x	4.0x	4.2x	3.5x

[1] Excludes depreciation and tax equivalents

Customer Analysis

The following table provides historical information concerning EPB's customer mix, annual margins and peak load for FY 2010 - 2014:

	2010	2011	2012	2013	2014
Customers (thousands)					
Residential	148.2	149.1	149.1	150.0	151.6
Small Commercial	19.3	19.2	19.7	19.4	20.8
Large Commercial	3.4	3.6	3.5	3.2	3.1
Outdoor Lighting	0.1	0.1	0.1	0.8	0.1
Total	171.0	172.0	172.4	173.4	175.7
Consumption (MWh)					
Residential	2,351	2,414	2,153	2,225	2,336
Small Commercial	370	371	354	371	403
Large Commercial	2,987	3,143	3,153	3,055	3,039
Outdoor Lighting	56	56	56	55	51
Total	5,763	5,983	5,716	5,707	5,829
Revenues (millions)					
Residential	$ 204	$ 231	$ 219	$ 227	$ 237
Small Commercial	36	40	40	42	46
Large Commercial	225	262	269	265	260
Outdoor Lighting	6	6	7	7	6
Total	$ 471	$ 538	$ 534	$ 540	$ 549
Margin (millions)	$ 83.2	$81.8	$109.4	$109.3	$109.3
Margin Percentage	17.6%	15.3%	20.1%	20.4%	20.0%
Peak Load (MW)	1,196	1,232	1,210	1,174	1,328

Margin is the excess of revenues over purchased power costs. The large commercial customers account for over half of the revenues but only one-third of the margin. The following table shows the composition of number of customers, consumption, revenues and margin by customer class for FY 2014:

	Data From 2014			
	Customers	**KWH Consumed**	**Revenues**	**Margin**
Residential	86.3%	40.1%	43.2%	56.6%
Small Commercial	11.8%	6.9%	8.3%	14.0%
Large Commercial	1.8%	52.1%	47.4%	27.3%
Outdoor Lighting	0.1%	0.9%	1.1%	2.1%
	100.0%	100.0%	100.0%	100.0%

The following table lists EPB's top ten customers during FY 2014, by revenue and margin.

Name	Industry	Years as EPB Customer	kWh Used	Revenue	% of Total Revenue	% of Estimated Total Margin
City of Chattanooga	Municipal Government	79	96,652,891	$8,698,594	1.59%	0.35%
Invista S.A.R.L.	Polymers, resins, etc.	67	150,384,027	5,993,524	1.56%	0.66%
Hamilton County Department of Education	School System	79	62,582,946	4,859,521	1.33%	1.28%
McKee Foods	Food Industry (Little Debbie)	70	92,838,958	4,610,458	1.15%	0.69%
Erlanger Medical Center	Healthcare	72	65,864,691	4,329,115	0.95%	0.40%
University of Tennessee – Chattanooga	University	68	52,646,849	4,202,787	0.82%	0.36%
Mueller	Iron casting Foundry	57	59,277,100	4,148,878	0.81%	0.53%
Volkswagen Group of America	Vehicle Manufacturing	5	73,195,488	3,555,663	0.80%	0.52%
Signal Mnt. Cement	Construction	69	67,108,868	2,964,529	0.73%	0.22%
Memorial Hospital	Healthcare	63	47,697,973	2,911,634	0.71%	0.27%
		Largest Customers		**57,110,902**	**10.45%**	**5.28%**
		All Others		489,461,268	89.55%	94.72%
		TOTAL		$546,572,170	100.00%	100.00%

The following table outlines large governmental customers/agencies and the associated revenues for FY 2014.

Customer	Revenue
City of Chattanooga	$8,698,594
Hamilton County Department of Education	7,243,786
Erlanger Medical Center	5,176,978
University of Tennessee – Chattanooga	4,491,562
Tennessee Valley Authority	3,066,782
Chattanooga Housing Authority	2,754,614
	$31,432,316

ADDITIONAL FINANCIAL AND OPERATIONAL INFORMATION

Employee Relations, Benefit Plans and Health Care

As of May 31, 2015, EPB had 545 full-time employees (480 Electric System and 65 Fiber Optic System), compared to 547 full-time employees as of June 30, 2014 (476 Electric System and 71 Fiber Optic System). Approximately one-fifth of EPB's electric employees are represented by an agreement between EPB and EPB Employees Group of Local Union 175 of the International Brotherhood of Electrical Workers. EPB's Board has exclusive authority for the management, control and operation of the Electric System. EPB has voluntarily accorded its employees the right to organize, to join a union, to bargain collectively and to be heard on matters pertaining to wages and benefits. EPB has ultimate authority to resolve grievances. The current agreement expires March 1, 2018.

Defined Benefit Pension Plan. EPB's Retirement Plan (the "Plan") is a single-employer defined benefit pension plan administered by an individual designated by the Plan's trustee, who is appointed by EPB. The Plan provides retirement benefits to Plan members. Article VIII of the Electric Power Board of Chattanooga Retirement Plan assigns the authority to establish and amend benefit provisions to EPB. The contribution requirements of Plan members and EPB are established and may be amended by EPB. Plan members are not required to contribute to the Plan. EPB makes contributions at an actuarially determined rate in order to remain fully funded for current service. The actuarially determined rate for FY 2014 was 11.5% of annual covered payroll. EPB's annual pension cost of the Plan for FY 2014 was approximately $3.6 million, which was fully contributed by EPB. The annual required contribution was determined as part of an actuarial valuation performed as of August 1, 2013, using the aggregate cost method. Significant actuarial assumptions used in the valuation included (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 3.0% per year compounded annually, and (c) no postretirement benefit increases. As of August 1, 2014, the Plan's unfunded actuarial accrued liability was $9.44 million. For more detail regarding the financial condition of the Electric Power Board of Chattanooga Retirement Plan, see page 42 of EPB's audited financial statements included herein as Appendix A.

Under current Tennessee law and except as described below, EPB is generally not permitted to change the terms of a pension plan to reduce an accrued benefit, or the right to accrue future benefits, of any participant who is eligible to receive benefits under the plan (i.e., any vested participant) unless that participant consents to the decrease or reduction in benefits. However, a pension plan can be amended so as to exclude new employees. In addition, SB 2079/HB 2037, also termed "The Public Employee Defined Benefit Financial Security Act of 2014" (the "2014 Act"), was signed into law by the Governor of Tennessee on May 22, 2014. The 2014 Act provides that for all affected employees of any political subdivision (such as EPB) hired on or after the effective date of the 2014 Act, the political subdivision may freeze, suspend or modify benefits, employee contributions and plan terms and design on a prospective basis (except as to those employees employed prior to the effective date of the 2014 Act where applicable law provides otherwise).

The 2014 Act also requires each political subdivision which provides its own defined benefit plan (such as EPB's Plan) to annually make a payment to its pension plan of no less than 100% of the actuarially determined annual required contribution that incorporates both the normal cost of benefits and a level-dollar amortization of the pension plan's unfunded accrued liability, if any. As described in Appendix A, EPB has historically funded at least 100% of the annual required contribution to the Plan. EPB is prepared to comply with the 2014 Act and does not anticipate that compliance will materially affect the financial condition of the Electric System.

In 2012, the Governmental Accounting Standards Board ("GASB") approved Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will apply to the Plan beginning with EPB's 2015-2016 fiscal year. Among other things, Statement No. 68 will require EPB to identify the Plan's net pension liability (total Plan liability minus the Plan's net position) as a liability on EPB's statement of net position. For each fiscal year, Statement No. 68 will also require EPB to recognize certain changes in its net pension liability as a pension expense on its schedules of revenues, expenses and changes in net position. These accounting changes will not have any effect on EPB's cash flows, and EPB does not expect these accounting changes to have any material impact on its financial statements.

401(k) Plan. Effective August 1, 1984, EPB implemented a 401(k) defined contribution plan. The plan currently permits employees to invest up to 15.0% of salary in a tax-deferred savings plan. EPB matches up to 4.0% of an employee's salary. All employees who have completed three months of employment and have attained age 18 are eligible to participate in the plan. Participating employees are immediately fully vested in EPB contributions,

which amounted to approximately $1.0 million in FY 2014 and $1.1 million in FY 2013. Employee contributions were approximately $2.6 million in FY 2014 and FY 2013, respectively.

Other Postretirement Employee Benefits. Substantially all employees retiring from EPB are entitled to receive certain postretirement health and life insurance benefits. These benefits are subject to deductibles, co-payment provisions and other limitations. Presently, EPB has the option of prefunding a Voluntary Employees' Beneficiary Association Trust ("VEBA") to pay postretirement benefit claims. During FY 2014 and FY 2013, EPB funded approximately $1.7 million and $1.9 million, respectively, to the VEBA for postretirement benefit claims. EPB accounts for postretirement health benefits in accordance with GASB Statement 45, which requires the cost to be calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years.

EPB provides healthcare benefits under a self-funded program administered by a third party payor under an administrative services only arrangement. EPB has secured specific stop loss coverage with a $175,000 attachment point per covered life with an $110,000 aggregating specific attachment point. EPB does not maintain excess aggregate coverage.

Insurance, Self-Insurance and Job Injury Claims

EPB is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. With respect to operations within the state of Tennessee, EPB is a governmental entity and, to the extent that a tort claim is asserted, operates pursuant to the Tennessee Governmental Tort Liability Act (TNGTLA), T.C.A. § 29-20-101 et seq., including T.C.A. § 29-20-403 which provides for maximum limits of Three Hundred Thousand Dollars ($300,000) for bodily injury or death of any one person in any one accident, occurrence or act and Seven Hundred Thousand Dollars ($700,000) for bodily injury or death of all persons in any one accident, occurrence or act and to a limit of One Hundred Thousand Dollars ($100,000) for injury to or destruction of property of others in any one accident, occurrence or act.

EPB is immune under Tennessee State law for state law tort claims from any award or judgment for death, bodily injury and/or property damage in excess of the limits set out in the Act. EPB does not have any such immunity for any federally based claims or in the State of Georgia where it derives less than five percent of its revenue and kilowatt-hour sales. EPB does not have any such immunity for its video and Internet operations.

EPB is self-insured for the first $500,000 of any liability claim but maintains a general liability policy with aggregate limits of $14,000,000. EPB is self-insured for automobile and vehicle liability claims that might be asserted against it, its officers, employees and agents. EPB maintains separate insurance policies for its Fiber Optics Systems.

Under the TNGTLA, governmental entities like EPB are authorized to voluntarily waive immunities and limitations of liabilities under the TNGTLA. EPB has not waived any such immunities or limitations of liability on behalf of the Electric System. EPB has, at the request of a vendor, waived the limits of liability under the TNGTLA as applied to its Telecommunications Division on one occasion to the extent of its insurance policy and limits secured for purposes of that waiver.

During the past ten years, EPB has neither settled nor been required to pay any claim in excess of the maximum limits established by the Tennessee Governmental Tort Liability Act for any claim asserted under Tennessee, Georgia, or federal law. However, there can be no assurance that one or more claims in excess of those limits will not be asserted in the future or that the limitation on liability will not be increased or totally eliminated by the General Assembly of the State of Tennessee. Legislative proposals have recently been advanced, but not enacted, to increase the limit of liability, or to remove the limits completely. During the past ten years, EPB has been able to routinely satisfy the expense of liability claims as part of its ordinary operating expenses. EPB pays the expense and costs of claims and losses for which there is no insurance coverage from its operations on an ongoing basis. EPB does establish claims reserve and expense funds from which to reserve for and pay the costs or estimated costs of claims as they are incurred and for which there is no insurance to indemnify EPB or pay such claims and claims expenses. These reserve funds are reviewed and adjusted quarterly. EPB does maintain a $5,000,000 contingency fund that is available for payment toward any unforeseen and extraordinary losses or damages, including an extraordinary liability claim.

EPB has established a self-insured job injury program. The job injury program provides certain benefits that management believes are comparable to workers' compensation benefits under Tennessee law that may become due and payable to employees who are injured on the job. The job injury program benefits are not the employees'

exclusive remedy, and certain employees may from time to time have and assert claims in negligence against EPB. Such tort claims as may arise under Tennessee law would be subject to the limitations of liability and immunities available to EPB under the Governmental Tort Liability Act for on-the-job injuries that occur in Tennessee, but the Tennessee limitations or procedures may not be applicable or of comparable amounts, benefit and duration as those workers compensation benefits that would be available under the laws of Georgia or any other state where an EPB employee might have received, or in the future may receive, an on the job injury while EPB's job injury program is in effect.

THE EPB FIBER OPTICS SYSTEM

As described in more detail below, EPB currently provides competitive telephone (telecommunication) services and competitive cable and Internet (video and Internet) services. As required by Tennessee law, EPB accounts for each of its telecommunication system (the "Telecom System") and its video and Internet system (the "Video and Internet System") on an independent basis, separate from the other and separate from the Electric System. EPB reports the combined results of its Telecom System and Video and Internet System in its audited financial statements as its "Fiber Optic System". As of May 31, 2015, the Fiber Optic System had 67,175 residential customers and 5,767 commercial customers.

The Series 2015 Bonds are not payable from or secured by a pledge of the revenues or assets of the Fiber Optic System, but the Fiber Optic System and the Electric System do interact in ways that are important to Series 2015 Bondholders, as described below.

Telecom System

In March 1999, EPB received a Certificate of Convenience and Necessity to operate a telephone system from the Tennessee Regulatory Authority. EPB began hiring telecommunication employees and started building a telephone system in April 1999. In March 2000 the first telecommunication customers were connected to EPB's Competitive Local Exchange Carrier system. Telecom System operations have resulted in a positive change in net position since the fiscal year ended June 30, 2007. The Telecom System has no outstanding indebtedness.

Video and Internet System

EPB began providing Internet services to business customers in 2003 and residential customers in 2009. Video and Internet System operations have resulted in a positive change in net position since the fiscal year ended June 30, 2012.

The Video and Internet System maintains a revolving line of credit (the "Video/Internet Line of Credit") in the current outstanding principal balance of $38.4 million to finance certain capital costs of expanding and improving the Video and Internet System. The Video/Internet Line of Credit is scheduled to mature in December 2017, at which time the unamortized balance must be paid or extended. The Video/Internet Line of Credit is secured by a pledge of Video and Internet System revenues. In addition, EPB is party to an Interdivision Loan Agreement with the Video and Internet System, under which EPB is obligated to advance up to $60,000,000 of Electric System funds, if and to the extent available and not otherwise required for use by the Electric System, to fund any debt service shortfall on the Video/Internet Line of Credit. EPB has obtained TVA's approval of this interdivision loan agreement. Any amounts advanced under the interdivision loan agreement must be repaid by the Video and Internet System, with interest at a rate not less than the highest rate then being earned on Electric System investments. Repayments would be made (1) from the revenues of the Video and Internet System (2) by the assignment to the Electric System by the City and Hamilton County of payments in lieu of taxes that would otherwise be payable to the City and the County by the Video and Internet System with respect to certain assets comprising the Smart Grid Infrastructure. While EPB does not currently expect to be required to advance Electric System funds under this interdivision loan agreement, it cannot be certain that it will not be required to advance funds thereunder. In the event EPB is required to advance Electric System funds to make a loan to the Video and Internet System, EPB cannot predict whether the Video and Internet System will be able to make timely payments of debt service under the interdivision loan agreement.

Cost Allocation between the Fiber Optic System and the Electric System

Both the Telecom System and the Video and Internet System make use of a portion of certain Electric System assets in their operations, including a significant portion of the Electric System's Smart Grid Infrastructure. The costs of Electric System assets used by both the Fiber Optic System and the Electric System ("Shared Assets") are allocated between the two systems pursuant to a cost-allocation methodology developed by EPB and approved

by TVA. EPB's current allocation methodology allocates the cost of Shared Assets among the Electric System, the Telecom System and the Video and Internet System in proportion to the number of services utilizing the Shared Assets. Additionally, joint employee and administrative costs are allocated between the Electric System and Fiber Optic System in proportion to identifiable cost-drivers. The Fiber Optic System's share of the costs of Shared Assets and joint employee and administrative services ("Corporate Costs") generally corresponds to the success of the Fiber Optics System. The Fiber Optic System is required to pay the Electric System for the costs of Shared Assets and Corporate Costs allocated to the Fiber Optic System. These payments to the Electric System serve to offset the costs of operating the Electric System and thereby increase the Revenues of the Electric System available to pay debt service on the Bonds of the Electric System.

The following table describes the payments made by the Fiber Optic System to the Electric System with respect to Shared Assets and Corporate Costs since 2010 (in thousands):

	2010	2011	2012	2013	2014
Corporate Costs	$3,387	$ 6,428	$ 8,525	$10,551	$11,567
Shared Assets	1,313	5,374	8,629	9,210	11,430
Total	$4,700	$11,802	$17,154	$19,761	$22,997

While the Electric System benefits from costs allocated to and paid by the Fiber Optic System as described above, revenues derived from Fiber Optic Sales will not constitute revenues of the Electric System and will not be available for the payment of the Bonds, including the Series 2015 Bonds, and are not the security for the Bonds.

EPB is unable to predict the future operational success of the Fiber Optic System. The telecommunications and video and Internet industries are highly competitive. In addition, in recent sessions of the Tennessee Legislature, opponents of municipal broadband projects have sought the introduction and passage of legislation to restrict or eliminate the ability of municipal electric systems to provide video, Internet and telephone services. EPB anticipates further attempts to restrict the authorization of municipal electric systems to provide competitive broadband services such as video, telephone and Internet services, but EPB cannot predict the outcome of such efforts with any certainty. Generally speaking, if the Fiber Optic System were to lose customers to alternative technologies or other providers in the telecommunications and/or video and Internet industry, the cost allocation payments to the Electric System would be reduced.

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

The electric utility industry has been and will continue to be affected by a number of factors that will have an impact on the business, operations and financial conditions of both public and private electric utilities, including EPB.

In the past, one of these factors was the efforts at both the national and local levels to restructure the electric utility industry from a heavily regulated monopoly to an industry in which there is more (or open) competition for power supply service at both the wholesale and retail level. Historically, electric utilities have operated as monopolies within their service territories, subject to certain exceptions. Under this arrangement, utilities have generally been able to charge rates primarily determined by their costs of service, rather than by competitive forces. There has been little activity regarding deregulation in recent years due to the perception of rapid escalation of electric rates in areas that have been deregulated. There can be no assurance that this arrangement will continue for EPB, and EPB is already subject to certain competitive forces and other factors as described below.

Competitive Environment in Tennessee

In the late 1990s and early 2000s, various regulatory and legislative bodies in Tennessee considered a wide range of issues associated with the advisability of retail competition in the electric utility industry. None of these groups recommended that the State actively pursue full retail competition at that time, and there are no currently pending State legislative or regulatory initiatives to provide for retail competition in Tennessee at this time.

Transmission Access to Wholesale Power

EPB's ability to access the wholesale power markets is limited, and TVA currently enjoys substantial insulation from wholesale competition. TVA operates under the Tennessee Valley Authority Act of 1933 (the "TVA Act"). Under the TVA Act, subject to certain minor exceptions, TVA may not currently enter into contracts that would have the effect of making it or EPB and other distributors a source of TVA power supply outside a statutorily-specified area. However, under a special provision of the Energy Policy Act of 1992 (the "anti-cherry-picking provision"), TVA is not required to provide its competitors with access to its transmission system to transmit power for consumption within the area that TVA or EPB and other distributors of TVA's power may serve. Thus, while TVA may not sell power outside its current service area, except for certain pre-existing arrangements, its competitors are not allowed to obtain transmission service from TVA to sell power within TVA's service areas under present law. Pending and future legislative and regulatory actions could impact EPB's ability to access the wholesale market, and modification of TVA's historically protected service area could adversely affect TVA's financial and operating condition.

Federal Energy Policy Act of 2005

The Energy Policy Act of 2005 authorizes the Federal Energy Regulatory Commission ("FERC") to require "unregulated transmitting utilities" to provide open access to their transmission systems on comparable terms and conditions as those "unregulated transmitting utilities" provide transmission service to themselves. While EPB meets the minimum kilowatt-hour sales threshold to be an "unregulated transmission utility" under Section 201(f) of the Federal Power Act, it is unclear the extent to which, if any, EPB's facilities would be considered subject to these requirements. EPB is unable to predict at this time the impact of these requirements on EPB's operations and finances.

The Energy Policy Act of 2005 provides certain "load serving entities" holding firm transmission rights the ability to continue to use those rights to serve their customers, and one provision of the Energy Policy Act of 2005 purports to provide these rights to wholesale customers of TVA like EPB. It is currently unclear whether these or other provisions of the Energy Policy Act of 2005 will fundamentally change EPB's power supply arrangements with TVA or EPB's ability to access the wholesale generation markets at a future point in time.

The Energy Policy Act of 2005 also subjected electric utilities like EPB to certain amendments to the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The purposes of PURPA in 1978 were, and continue to be, to help the nation facilitate the conservation of energy, optimize efficiency, and provide for the establishment of equitable rates. As originally enacted, PURPA required certain utilities to consider and, if appropriate, adopt certain service practice and rate standards. As amended, PURPA now requires consideration of five new standards: (i) Net Metering; (ii) Fuel Source Diversity; (iii) Fossil Fuel Generation Efficiency; (iv) Smart Metering (time-based metering and communications); and (v) Interconnection Standards for Independent Power Producers. Under the revised PURPA standards, the TVA Board is EPB's regulatory authority for purposes of PURPA. The potential financial implications for some of the standards are currently unknown.

NERC Electric Reliability Standards Compliance

With the passage of the Energy Policy Act of 2005, Congress authorized FERC to establish an Electric Reliability Organization ("ERO") to protect the reliability of the bulk electric power system in the United States. The North American Electric Reliability Corporation ("NERC") was certified by FERC as the ERO. Owners, operators, and users of the bulk power system are required to be registered with NERC and the appropriate Regional Entities, or in EPB’s case, the Southeastern Electric Reliability Corporation ("SERC"). NERC intends to comprehensively and thoroughly protect the reliability of the U.S. power grid. To support this goal, NERC will include in its compliance registry each entity that NERC concludes can materially impact the reliability of the bulk electric system.

Effective as of July 1, 2014, NERC revised its definition of the bulk electric system to include additional transmission elements that were not previously considered to be a part of the bulk electric system. The compliance deadline associated with the revised definition is July 1, 2016. EPB has identified some system assets that could be considered to be transmission elements within the revised definition. EPB is currently reviewing various options for achieving compliance with any new registration or other requirements and is discussing various options by which TVA could assume ownership or operational responsibility for these assets. EPB does not currently anticipate that

these requirements will have a material and adverse impact on its operations and finances, but EPB cannot predict the impact of NERC activities and regulations on its operations and finances in the future.

TVA and General Industry Risk Factors

Because EPB purchases all of its power from TVA, any risk factors affecting or potentially affecting the business operations of TVA may also affect EPB. TVA may mitigate some of these risks by increasing the rates it charges for its power. A discussion of the risk factors affecting TVA's operations can be found in "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in TVA's Annual Report. TVA's Annual Report is available to the public from the SEC's website at www.sec.gov and from the TVA's website at www.tva.gov. In his 2014 budget, President Obama stated the administration's intent to review options to address TVA's national financial impact, which options included the sale of TVA. In his 2016 budget, President Obama announced that review of the TVA has concluded and acknowledged the efforts taken by TVA since 2014 to improve its operating and financial performance. President Obama further provided that the Administration will continue to monitor TVA's performance and that the Administration continues to believe that reducing or eliminating the Federal government's role in programs such as TVA can help mitigate risk to taxpayers. More information on President Obama's 2016 budget proposal can be found on www.tva.gov and http://www.whitehouse.gov/omb/budget/Overview.

In addition to risks discussed above, the electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition of EPB. Such factors include, among others, the following: (i) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative other than those described elsewhere in this Official Statement; (ii) changes resulting from conservation and load management programs on the timing and use of electric energy; (iii) changes in national, regional or state energy policy; (iv) competition from other utilities, independent power producers, marketers and brokers; (v) competition with customer-owned generation, such as "self-generation" or "distributed generation," which might include microturbines, fuel cells, and other generation resources; (vi) shifts in the availability and relative costs of different fuels, whether such fuels are competitive alternatives to electricity or are used in the generation of electricity; (vii) other federal, state or local legislative or regulatory changes; (viii) loss of large industrial or commercial customers; and (ix) changes in the economy. Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any electric utility and will likely affect individual utilities in different ways.

EPB is unable to predict what impact any of the foregoing factors will have on its operations and financial conditions, but the impact could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement. Extensive information on the electric utility industry is available in the public domain, and potential purchasers of the Series 2015 Bonds should obtain and review such information.

LITIGATION AND OTHER PROCEEDINGS

There are no pending, nor to the knowledge of the Issuer or EPB are there any threatened, legal proceedings questioning, or seeking to restrain, enjoin, or adversely affect the issuance or delivery of the Series 2015 Bonds, the fixing or collecting of rates and charges for the services of the Electric System, the pledge of the Revenues of the Electric System to secure the payment of the Series 2015 Bonds, the proceedings and authority under which the Series 2015 Bonds are to be issued, the validity of the Series 2015 Bonds, the right of EPB to operate the Electric System, or the application of the proceeds of the Series 2015 Bonds for the purposes described herein.

EPB, like other similar public bodies, is subject to a variety of other lawsuits and proceedings arising in the ordinary conduct of its affairs. After reviewing the current status of all pending and threatened litigation involving the Electric System with its litigation counsel, EPB believes that, while the outcome of such litigation and proceedings cannot be predicted, the final resolution of these pending and threatened lawsuits, proceedings and claims against EPB and its officials in such capacity are not expected to have a material adverse effect upon the financial position or results of operations of the Electric System after taking into consideration EPB's insurance and self-insurance arrangements.

TAX MATTERS

Opinion of Bond Counsel

Katten Muchin Rosenman LLP, Bond Counsel, is of the opinion that under existing law, interest on the Series 2015A Bonds and Series 2015C Bonds (together, the "Tax-Exempt Bonds") is not includable in the gross income of the owners thereof for federal income tax purposes. If there is continuing compliance with the applicable requirements of the Internal Revenue Code of 1986 (the "Code"), Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds will continue to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, interest on the Tax-Exempt Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income but is includible in corporate earnings and profits when computing, for example, corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax. In the further opinion of Bond Counsel, pursuant to the Act, each series of the Series 2015 Bonds and the income therefrom are exempt from all taxation by the State of Tennessee or by any county or municipality therein, except for inheritance, transfer and estate taxes and Tennessee franchise and excise taxes.

A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

Bonds Purchased at a Premium or at a Discount

The difference (if any) between the initial price at which a substantial amount of each maturity of the Series 2015A Bonds or Series 2015C Bonds is sold to the public (the "Offering Price") and the principal amount payable at maturity of such Tax-Exempt Bonds is given special treatment for Federal income tax purposes. If the Offering Price is higher than the maturity value of a maturity of such Tax-Exempt Bonds, the difference between the two is known as "bond premium;" if the Offering Price is lower than the maturity value of a maturity of such Tax-Exempt Bonds, the difference between the two is known as "original issue discount."

Bond premium and original issue discount are amortized over the term of the Tax-Exempt Bonds (or shorter period, as provided in the Income Tax Regulations) on the basis of the owner's yield from the date of purchase to the date of maturity, compounded at the end of each accrual period of one year or less with straight line interpolation between compounding dates, as provided more specifically in the Income Tax Regulations. The amount of bond premium accruing during each period is treated as an offset against interest paid on the Tax-Exempt Bonds and is subtracted from the owner's tax basis in such Tax-Exempt Bonds. The amount of original issue discount accruing during each period is treated as interest (which is excludable from the gross income of an owner of the Tax-Exempt Bonds) for Federal income tax purposes, to the same extent and with the same limitations as ordinary interest, and is added to the owner's tax basis in such Tax-Exempt Bonds. The Tax-Exempt Bonds' adjusted tax basis is used to determine whether, and to what extent, the owner realizes taxable gain or loss upon the disposition of such Tax-Exempt Bonds (whether by reason of sale, acceleration, redemption prior to maturity or payment at maturity of such Tax-Exempt Bonds).

Owners who purchase Tax-Exempt Bonds at a price other than the Offering Price, after the termination of the initial public offering or at a market discount should consult their tax advisors with respect to the tax consequences of their ownership of such Tax-Exempt Bonds. In addition, Owners of Tax-Exempt Bonds should consult their tax advisors with respect to the state and local tax consequences of owning such Tax-Exempt Bonds; under the applicable provisions of state or local income tax law, bond premium and original issue discount may give rise to taxable income at different times and in different amounts than they do for Federal income tax purposes.

Exclusion from Gross Income: Requirements

The Code contains certain requirements that must be satisfied from and after the date of issuance of the Tax-Exempt Bonds in order to preserve the exclusion from gross income for federal income tax purposes of interest thereon. These requirements relate to the use and investment of the proceeds of the Tax-Exempt Bonds, the payment of certain amounts to the United States, the security and source of payment of the Tax-Exempt Bonds and the use of the property financed with the proceeds of the Tax-Exempt Bonds. Among these specific requirements are the following:

(a) Investment Restrictions. Except during certain "temporary periods," proceeds of the Tax-Exempt Bonds and investment earnings thereon (other than amounts held in a reasonably required reserve or replacement fund, if any, or as part of a "minor portion") may generally not be invested in investments having a yield that is materially higher than the yield on the Tax-Exempt Bonds.

(b) Rebate of Permissible Arbitrage Earnings. Earnings from the investment of the "gross proceeds" of the Tax-Exempt Bonds in excess of the earnings that would have been realized if such investments had been made

at a yield equal to the yield on the Tax-Exempt Bonds are required to be paid to the United States at periodic intervals. For this purpose, the term "gross proceeds" includes the original proceeds of the Tax-Exempt Bonds, amounts received as a result of investing such proceeds and amounts to be used to pay debt service on the Tax-Exempt Bonds.

(c) Restrictions on Ownership and Use. The Code includes restrictions on the ownership and use of the facilities financed with the proceeds of the Tax-Exempt Bonds. Such provisions may restrict future changes in the use of any property financed with the proceeds of the Tax-Exempt Bonds.

Covenants to Comply

The Issuer and EPB covenant in the Resolution to comply with the requirements of the Code relating to the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Bonds.

Risk of Non Compliance

In the event that the Issuer or EPB fail to comply with the requirements of the Code, interest on the Tax-Exempt Bonds may become includable in the gross income of the owners thereof for federal income tax purposes retroactively to the date of issue. In such event, the Resolution does not require acceleration of payment of principal of or interest on the Tax-Exempt Bonds or payment of any additional interest or penalties to the owners of the Tax-Exempt Bonds.

Federal Income Tax Consequences

Pursuant to Section 103 of the Code, interest on the Tax-Exempt Bonds is not includible in the gross income of the owners thereof for federal income tax purposes. However, the Code contains a number of other provisions relating to the treatment of interest on the Tax-Exempt Bonds that may affect the taxation of certain types of owners, depending on their particular tax situations. Some of the potentially applicable federal income tax provisions are described in general terms below.

PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF THE TAX-EXEMPT BONDS.

(a) Cost of Carry. Owners of the Tax-Exempt Bonds will generally be denied a deduction for otherwise deductible interest on any debt that is treated for federal income tax purposes as incurred or continued to purchase or carry the Tax-Exempt Bonds. Financial institutions are denied a deduction for their otherwise allowable interest expense in an amount determined by reference to their adjusted basis in the Tax-Exempt Bonds.

(b) Corporate Owners. Interest on the Tax-Exempt Bonds is taken into account in computing earnings and profits of a corporation and consequently may be subject to federal income taxes based thereon. Thus, for example, interest on the Tax-Exempt Bonds is taken into account in computing the alternative minimum tax for corporations, but also the branch profits tax imposed on certain foreign corporations, the passive investment income tax imposed on certain S corporations, and the accumulated earnings tax.

(c) Individual Owners. Receipt of interest on the Tax-Exempt Bonds may increase the amount of social security and railroad retirement benefits included in the gross income of the recipients thereof for federal income tax purposes.

(d) Certain Blue Cross or Blue Shield Organizations. Receipt of interest on the Tax-Exempt Bonds may reduce a special deduction otherwise available to certain Blue Cross or Blue Shield organizations.

(e) Property or Casualty Insurance Companies. Receipt of interest on the Tax-Exempt Bonds may reduce otherwise deductible underwriting losses of a property or casualty insurance company.

(f) Foreign Personal Holding Company Income. A United States shareholder of a foreign personal holding company may realize taxable income to the extent that interest on the Tax-Exempt Bonds held by such a company is properly allocable to the shareholder.

Series 2015B Bonds

The interest on the Series 2015B Bonds is includable in the gross income of the Owners thereof for federal income tax purposes. In addition, the Code contains a number of other provisions relating to the taxation of the Series 2015B Bonds (including but not limited to the treatment of and accounting for interest, premium, and market discount thereon, gain from the disposition thereof and withholding tax on income therefrom) that may affect the

taxation of certain Owners of the Series 2015B Bonds, depending on their particular tax situations. PROSPECTIVE PURCHASERS OF THE SERIES 2015B BONDS SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE PARTICULAR FEDERAL INCOME TAX CONSEQUENCES OF THEIR OWNERSHIP OF SUCH BONDS.

Change of law

The opinions of Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings, and other official interpretations of law in existence on the date the Series 2015 Bonds were issued. There can be no assurance that such law or the interpretation thereof will not be changed or that new provisions of law will not be enacted or promulgated at any time while the Series 2015 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the Series 2015 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Samuel Klein and Company, Certified Public Accountants (the "Verification Agent"), a firm of independent public accountants, will deliver to the City and EPB, on or before the settlement date of the Series 2015 Bonds, its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the City, EPB and their representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Escrowed Securities in the Escrow Fund to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Series 2015A Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder.

The examination performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the City, EPB and their representatives. The Verification Agent report of its examination will state that the Verification Agent has no obligation to update such report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

FORWARD-LOOKING STATEMENTS

This Official Statement contains forward-looking statements relating to future events and future performance. Any statements regarding expectations, beliefs, plans, projections, estimates, objectives, intentions or assumptions or otherwise relating to future events or performance may be forward-looking. Some examples of forward-looking statements include statements regarding EPB's projections of future power and energy requirements; future costs related to the purchase of wholesale power from the Tennessee Valley Authority ("TVA") or other sources, EPB's future competitive position, and the benefits that the Electric System may realize from the use of the Fiber Optic System. Although EPB believes that the assumptions underlying the forward-looking statements in this Official Statement are reasonable, neither the Issuer nor EPB guarantees the accuracy of these statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things, new laws, regulations and administrative orders, especially those related to the restructuring of the electric power industry, federal legislation affecting TVA or its relationship with distributors, including EPB, and various environmental matters, increased competition among electric utilities, legal and administrative proceedings affecting EPB, the financial environment, performance of TVA's generating facilities, the availability of electric power and energy from sources other than TVA, fuel prices, the demand for electricity, weather conditions, changes in accounting standards and unforeseeable events.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization and issuance of the Series 2015 Bonds are subject to the approval of Katten Muchin Rosenman LLP, New York, New York, Bond Counsel, whose approving opinion in substantially the form attached hereto as Appendix E will be delivered with the Bonds. Certain legal matters will be passed upon for the Issuer by Randall L. Nelson, City Attorney, Chattanooga, Tennessee and for EPB by its counsel, Miller & Martin PLLC, Chattanooga, Tennessee. Certain legal matters will be passed upon for the Underwriters by their counsel, Bass, Berry & Sims PLC, Nashville, Tennessee.

CONTINUING DISCLOSURE

Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended (the "Rule"), prohibits an underwriter from purchasing or selling municipal securities unless it has determined that the issuer or other obligated person of such securities has committed to provide annually certain information, including audited financial information, and notice of various events described in the Rule. EPB has covenanted for the benefit of the holders of the Series 2015 Bonds that, consistent with the Rule, EPB will provide the following: (i) annual financial information for EPB, including audited financial statements of EPB for each fiscal year ending on and after June 30, 2015, in a timely manner; (ii) notices of certain events with respect to the Series 2015 Bonds and (iii) notice of any failure of EPB to provide required annual financial information in a timely manner. The proposed form of the Continuing Disclosure Agreement can be found in Appendix F.

EPB failed to report changes to its underlying rating that occurred in 2012. Otherwise, in the previous five years, EPB has not failed to comply in any material respect with any undertaking in a written contract or agreement specified in the Rule.

CERTIFICATION AS TO OFFICIAL STATEMENT

The Issuer and EPB will represent to the Underwriters in the Bond Purchase Agreement that that (i) the information and statements, including financial statements of or pertaining to the Issuer or EPB, contained in this Official Statement were and are correct in all material respects, and (ii) insofar as the Issuer or EPB and their affairs, including their financial affairs, are concerned, this Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

INDEPENDENT AUDITORS

The financial statements of EPB as of the fiscal years ended June 30, 2014 and 2013, included in Appendix A to this Official Statement, have been audited by Henderson Hutcherson & McCullough, PLLC, Chattanooga, Tennessee, independent public accountants, respectively, as stated in their report appearing in Appendix A. Neither EPB's independent auditors, nor any other independent accountants, have complied, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability.

RATINGS

Standard & Poor's Ratings Services has assigned the Series 2015 Bonds a rating of ___, and Fitch Ratings has assigned the Series 2015 Bonds a rating of ___. Such ratings reflect only the view of such organizations and an explanation of the significance of such rating may be obtained only from the respective rating agency. There is no assurance that such ratings will be maintained for any given period of time or that they will not be revised downward or be withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and the other Underwriters have agreed to purchase (i) the Series 2015A Bonds from the Issuer at an aggregate purchase price of _____ (consisting of the par amount of the Series 2015A Bonds [plus/less] an original issue [premium/discount] of _____, less an underwriters' discount of _____); (ii) the Series 2015B Bonds from the Issuer at an aggregate purchase price of _____ (consisting of the par amount of the Series 2015B Bonds [plus/less] an original issue [premium/discount] of _____, less an underwriters' discount of _____); and (iii) (ii) the Series 2015C Bonds from the Issuer at an aggregate purchase price of _____ (consisting of the par amount of the Series 2015C Bonds [plus/less] an original issue [premium/discount] of _____, less an underwriters' discount of _____). The obligation of the Underwriters to purchase the Series 2015 Bonds is subject to certain conditions contained in the Bond Purchase Agreement.

Jefferies LLC (“Jefferies”), one of the Underwriters, has entered into an agreement (the “Agreement”) with E*TRADE Securities LLC (“E*TRADE”) for the retail distribution of municipal securities. Pursuant to the Agreement, Jefferies will sell Bonds to E*TRADE and will share a portion of its selling concession compensation with E*TRADE.

SunTrust Robinson Humphrey, Inc. ("STRH"), one of the Underwriters, has entered into an agreement (the "Distribution Agreement") with SunTrust Investment Services, Inc. ("STIS") for the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, STRH will share a portion of its underwriting compensation with respect to the Bonds with STIS. STRH and STIS are both subsidiaries of SunTrust Banks, Inc. SunTrust Robinson Humphrey is the trade name for certain capital markets and investment banking services of SunTrust Banks and its subsidiaries.

FTN Financial Capital Markets, one of the Underwriters, is a division of First Tennessee Bank National Association, and FTB Advisors, Inc. is a wholly owned subsidiary of First Tennessee Bank National Association. FTN Financial Capital Markets has entered into a distribution agreement with FTB Advisors, Inc. for the distribution of the Bonds at the original issue prices. Such arrangement generally provides that FTN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with FTB Advisors, Inc.

Merrill Lynch and the other Underwriters have provided the following information to the District for inclusion in this Official Statement. The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District. Certain of the Underwriters, or affiliates thereof, may hold Refunded Bonds being refunded and, as a result, will receive a portion of the proceeds from this offering in connection with the redemption of such Refunded Bonds.

The Bonds will be offered at the respective initial public offering prices shown on the inside cover page of this Official Statement. The Underwriters may offer and sell the Series 2015 Bonds to certain dealers (including dealers depositing the Series 2015 Bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriters in their discretion.

MISCELLANEOUS

The references herein to and the summaries presented herein, of the Resolution, the Act and the City Charter are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such documents and the Act for full and complete statements of such provisions. The delivery of this Official Statement by EPB has been authorized by the City Council.

CITY OF CHATTANOOGA, TENNESSEE

_____

Andy Berke, Mayor

APPENDIX A

AUDITED FINANCIAL STATEMENTS

FOR THE

YEAR ENDED

JUNE 30, 2014 AND 2013

APPENDIX B

ELECTRIC SYSTEM UNAUDITED FINANCIAL STATEMENTS

FOR THE

ELEVEN MONTH PERIODS ENDED

MAY 31, 2015 AND MAY 31, 2014

EPB
ELECTRIC SYSTEM
STATEMENT OF NET POSITION
MAY 31, 2015 (Dollars in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	FISCAL YEAR TO DATE THIS YEAR	FISCAL YEAR TO DATE LAST YEAR
CURRENT ASSETS		
Cash and Cash Equivalents	$ 67,150	$ 93,210
Accounts Receivable – Electric Service	17,377	24,092
Provision for Uncollectible Accounts	(650)	(650)
Accounts Receivable – Miscellaneous	8,439	8,176
Provision for Uncollectible Accounts	(114)	(117)
Unbilled Electric Sales	29,681	28,498
Materials and Supplies	12,917	12,572
Prepayments	4,567	4,446
Rents Receivable	1,783	1,328
Total Current Assets	$ 141,150	$ 171,555
NON-CURRENT ASSETS		
Utility Plant in Service	$ 812,372	$ 778,391
Construction Work in Progress	7,480	8,701
Less: Accumulated Depreciation	(286,186)	(270,742)
Total Plant	533,665	516,351
Other Assets:		
Clearing Accounts	(40)	(6)
Other Advanced Debits	2,309	2,593
Total Non-Current Assets	$ 535,934	$ 518,937
TOTAL ASSETS	$ 677,085	$ 690,493
DEFERRED OUTFLOWS OF RESOURCES	$ -	$ -
TOTAL ASSETS & DEFERRED OUTFLOWS	$ 677,085	$ 690,493

EPB
ELECTRIC SYSTEM
STATEMENT OF NET POSITION
MAY 31, 2015 (Dollars in Thousands)

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	FISCAL YEAR TO DATE THIS YEAR	FISCAL YEAR TO DATE LAST YEAR
CURRENT LIABILITIES		
Accounts Payable – TVA – Purchased Power	$ 60,880	$ 64,272
Accounts Payable – Vouchers	196	519
Accounts Payable – Other	7,004	8,648
Total Accounts Payable	68,080	73,440
Customer Deposits	23,840	23,094
Interest Accrued on Customer Deposits	1,556	1,637
Revenue Bonds, current portion	8,075	7,040
Bond Interest Payable	3,173	3,243
Accrued Tax Equivalents	16,259	15,342
Accrued Leave	2,305	2,509
Other Current Liabilities	4,533	6,012
Total Current Liabilities	$ 127,820	$ 132,316
NON-CURRENT LIABILITIES		
Revenue Bonds Payable	$ 255,850	$ 263,925
Unamortized Premium/(Discount) – Net	6,499	6,862
Other Post Employment Benefit Obligation	7,228	7,763
Sick Leave Compensation	543	557
Other Delayed Credits	5,271	4,526
Total Non-Current Liabilities	$ 275,391	$ 283,632
TOTAL LIABILITIES	$ 403,211	$ 415,948
DEFERRED INFLOWS OF RESOURCES	$ -	$ -
NET POSITION		
Net Investment in Capital Assets	$ 263,242	$ 238,524
Unrestricted	10,632	36,021
Total Net Position	273,873	274,545
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 677,085	$ 690,493

EPB
ELECTRIC SYSTEM
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
MAY 31, 2015 (Dollars in Thousands)

	FISCAL YEAR TO DATE	
OPERATING REVENUE	**THIS YEAR**	**LAST YEAR**
ELECTRIC SALES REVENUE		
Residential	$214,079	$218,307
Small Commerical and Power	41,470	41,535
Large Commercial and Power	234,875	237,249
Outdoor Lighting Systems	5,561	5,714
Total Billed Electric Sales	$495,985	$502,805
Change In Unbilled Electric Sales	(2,513)	(6,036)
Total Electric Sales	$493,472	$496,768
Less Uncollectible Electric Sales	(524)	(552)
Total Electric Sales Revenue	$492,948	$496,216
OTHER ELECTRIC REVENUE		
Payment in Excess of Net Rates	$3,566	$3,568
Miscellaneous Service Revenue	2,611	2,588
Rent from Electric Property	2,143	2,319
Access Fees & Rents-Telecom & Video	12,725	10,395
Miscellaneous Electric Revenue	242	7
Total Other Electric Revenue	$21,288	$18,877
Total Operating Revenue	$514,235	$515,093
OPERATING EXPENSES		
Purchased Power	$399,773	$393,654
Gross Margin	114,462	121,439
Percentage on Gross Margin	22.6%	23.6%
Community Development	26	-
Corporate	2,778	3,009
Corporate Communications Division	348	355
Customer Relations	10,069	9,453
Economic Dev. & Govt. Relations	759	673
Operations Division	31,041	29,415
Finance	3,299	3,285
General Admistration	711	655
Human Resources	1,348	1,279
Information Technology	6,527	6,288
Insurance & Benefits	12,631	12,638
Legal Services	1,040	715
Marketing	3,566	3,367
Strategic Research	607	548
Strategic Systems	3,788	3,499
Budgeted Major Storms	-	4,770
G&A-Video & Internet Allocations	(13,061)	(9,443)
G&A-Telecom Allocations	(1,226)	(1,117)
Transfers and Overheads	(11,474)	(10,056)
Operating Expenses Exc. Purchased Power	$ 52,775	$ 59,333
Operating Expenses Inc. Purchased Power	$452,548	$452,987
Depreciation	32,217	30,776
Property Tax Equivalents	16,368	15,398
Social Security and Other Taxes	2,001	2,138
Total Operating Expenses	$503,133	$501,300
Net Operating Revenues	$11,102	$13,793
OTHER REVENUES (DEDUCTIONS)		
Interest Income on Invested Funds	$181	$243
Interest Expenses on Long-Term Debt	(11,133)	(11,061)
Other Income/(Deductions)	198	181
Writedown of Plant – Contribution	(671)	(4,362)
Total Other Revenues (Deductions)	$(11,425)	$(14,999)
INCOME (LOSS) BEFORE CONTRIBUTIONS	$ (323)	$ (1,206)
CONTRIBUTIONS IN AID OF CONSTRUCTION	671	4,362
CHANGE IN NET POSITION	$ 348	$ 3,156

EPB
ELECTRIC SYSTEM
STATEMENT OF CASH FLOWS
MAY 31, 2015 (Dollars in Thousands)

	FISCAL YEAR TO DATE	
	THIS YEAR	**LAST YEAR**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Operating Income	$11,102	$13,793
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	33,271	32,774
Misc Non-operating income	198	181
Changes in Assets and Liabilities:		
Accounts Receivable, Net	7,624	(2,317)
Unbilled Electric Sales	2,513	6,037
Material and Supplies	(108)	(94)
Prepayments and Other Current Assets	(379)	1,124
Deferred Charges	270	52
Other Long Term Assets	40	6
Accounts Payable, Net	(18,368)	(8,422)
Customer Deposits	614	(597)
Accrued Tax Equivalents	(481)	(1,057)
Other Current Liabilities	(102)	647
Accrued Postretirement Benefit Obligation	(516)	142
Deferred Credits	272	(1,017)
Net Cash Provided by Operating Activities	**$35,950**	**$41,252**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to Plant	$(48,900)	$(54,445)
Contributions in Aid of Construction	671	1,587
Bond Principal Payment	(7,040)	(6,000)
Bond Interest Payment	(12,832)	(13,084)
Net Cash Used in Capital and Related Financing Activities	**$(68,101)**	**$(71,942)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments	$ 181	$ 271
Net Cash Provided by Investing Activities	**181**	**271**
NET CHANGE IN CASH AND CASH EQUIVALENTS	**$(31,970)**	**$(30,419)**
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	**99,120**	**123,629**
CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 67,150**	**$ 93,210**

APPENDIX C

CITY OF CHATTANOOGA'S SUPPLEMENTAL INFORMATION STATEMENT

INTRODUCTION

The City of Chattanooga, Tennessee (the "City" or "Chattanooga"), nestled along the Tennessee River and surrounded by majestic mountains, was founded in 1816 by Cherokee Indian Chief John Ross on the site of Ross's Landing trading post. Chattanooga, Cherokee for "rock coming to a point" (referring to prominent Lookout Mountain), was incorporated under State of Tennessee Private Acts of 1839. The City is located near the southeastern corner of the state on the Tennessee-Georgia border where three major interstate highways meet. Chattanooga encompasses an area of 143 square miles of land, with an additional 5 square miles of water, and is centrally located within a 150-mile radius of Knoxville and Nashville, Tennessee; Birmingham, Alabama; and Atlanta, Georgia. Over 11 million people live within a 2 to 2½ hour drive of Chattanooga. Today the City of Chattanooga is the fourth-largest city in the state of Tennessee and serves as the county seat of Hamilton County. Chattanooga is the center of a six-county Metropolitan Statistical Area with a population in excess of one-half million people.

Form of Government

The City of Chattanooga operates under a Mayor/Council form of government. The Mayor is elected at-large and serves as the City's Chief Executive Officer, overseeing the operation of all City departments. The City Council is composed of nine members, with each member being elected from one of nine districts within the geographic boundaries of the City. The Mayor and Council Members are elected to four-year terms.

The City provides a full range of municipal services including, but not limited to, fire and police protection; sanitation services; construction/maintenance of highways, streets and infrastructure; recreation and cultural activities; youth and family development; public library; economic and community development; planning and zoning; neighborhood services; social services; and general administrative services. It also operates a water quality program and a regional sewage facility system which serves southeast Tennessee and northwest Georgia. The City is empowered to levy a property tax on both real and personal property located within its boundaries.

Industrial and Economic Development

Chattanooga's central location makes it a perfect business location and distribution center for the eastern United States. Beyond its advantages for business, Chattanooga is blessed with breathtaking natural beauty and a gracious lifestyle resulting from the community's commitment to preserve its culture and support the arts. The area offers excellent educational opportunities, quality health care and a virtually unlimited range of recreational activities – all at one of the lowest costs of living in the nation. This and so much more make Chattanooga one of the nation's most livable cities.

Economic advantages such as abundant natural resources, a trained labor force and a central location make Chattanooga a profitable business location. The City is within one day's drive of seventy percent of U.S. consumer markets and is regularly named as a five-star distribution location for manufacturing. This unique location provides access through an exceptional system of roads, rails and waterways which means rapid fulfillment and simplified transportation logistics.

Nationally, and internationally, recognized companies are headquartered in Chattanooga. These include leading insurance providers such as Blue Cross, Blue Shield of Tennessee, large-scale shopping center developers such as CBL & Associates, top carriers such as Covenant Transport and US Express and manufacturers such as Volkswagen Group of America. There is a diversity of business with no dominating business category. The Chattanooga Metropolitan Statistical Area's unemployment rate stands at 5.2 percent as of May 2015. This is compared to the state's 5.3 percent and the nation's 5.4 percent and for the same period.

Chattanooga has earned the reputation in economic development circles as a national model for other cities. In partnership with the Chattanooga Area Chamber of Commerce and Hamilton County, the City has developed a proactive, multi-year economic development initiative designed to market the Chattanooga region as a premiere business location. This public-private partnership has been instrumental in raising awareness of the advantages Chattanooga has to offer. Development goals for the current campaign, July 2011 through April 2015, are 15,121 jobs (progress to date is 10,905); directly assist with job creation of 5,000 jobs (progress to date is 5,758); average wages of at least $41,622 per annum (progress to date is $42,383); increase private capital investment by

$500,000,000 (progress to date is $309,620,000); and support creation of new payroll in the amount of $427,000,000 (progress to date is $449,397,966).

Enterprise South Industrial Park (ESIP) has been a major contributor to growth in Chattanooga. This 3,000 acre complex is now home to Volkswagen Group of America, Amazon, Archer Daniels Midland and sixteen other companies; ESIP currently accounts for a total of 5,693 jobs. The industrial park includes a Foreign-Trade Zone that allows Chattanooga to remain competitive in regional and U.S. markets, encourages commerce in the southeast Tennessee region and serves as an excellent business recruiting tool.

Foreign investments are prominent in Chattanooga. Companies with ties to Australia, Austria, Brazil, Canada, Finland, France, Germany, Ireland, Italy, Japan, Mexico, Netherlands, Norway, Spain, Switzerland, Turkey and the United Kingdom all have a presence here. Volkswagen Group of America, who built a $1 billion auto assembly plant in Chattanooga creating 12,400 direct and indirect full-time jobs, is responsible for $643.1 million in annual income and has attracted 17 supplier companies to the area. In 2010, French drug maker Sanofi-Aventis acquired Chattem Inc., a U.S. health-care company based in Chattanooga, and made a $5 million investment to expand its warehouse facility. Gestamp Corporation, based in Spain, established a new automotive part stamping operation located at ESIP in 2010.

Business Facilities Magazine has again ranked the State of Tennessee as first in their State-of-the-Year competition. Tennessee is the first state to garner this ranking three times; the most recent award can be directly attributed to the recently announced $900 million Volkswagen expansion to produce an SUV line at its Chattanooga manufacturing facility and open a North American Engineering and Planning Center. In May of 2015, the University of Tennessee released a study on the impact of the expansion. The investment should generate $217 million in new income, create 5,400 jobs, and increase state and local tax revenue by $35.1 million annually.

In addition to the foreign investments, many companies continue to locate and expand in Chattanooga providing good family-wage jobs. Archer Daniels Midland announced a $25 million acquisition of a seventeen-acre tract at ESIP in 2011 for a new terminal. Two restaurant groups merged to form CraftWorks Restaurants & Breweries. The new company, co-headquartered in Chattanooga and Colorado, was responsible for an $11 million investment on revitalized Main Street. American Tire Distributors made a 2012 announcement to purchase a nine-acre tract at ESIP to build a distribution center with a $20 million investment. A joint venture between a Chattanooga company and a German company created Team 3 Logistics, bringing another 150 jobs. These announcements reinforce Chattanooga's growing national reputation in the logistics sector.

Chattanooga not only attracts manufacturing and logistics companies, the City places an emphasis on entrepreneurial opportunities. During May of 2015, WalletHub rated Chattanooga number 4 of 150 as the best city to start a business. The rankings were based on access to resources and the business environment. Analysis included startup survival rate, affordability of office space, and educational attainment of the local labor force.

CNN Money recognized Chattanooga in May 2014 by saying, "Chattanooga, Tenn., may not be the first place that springs to mind when it comes to cutting-edge technology. But thanks to its ultra-high-speed internet, the city has established itself as a center for innovation". The basis for this innovation is the smart grid developed by the Electric Power Board ("EPB"), the city-owned electric utility. The network, which provides fiber to more than 172,000 homes and businesses in a 600-square-mile area, can deliver data speeds of up to 1,000 megabits per second. The "gig" " has allowed this midsized, southern city to be at the front of the technology curve and provides a technology platform that sets Chattanooga apart from every other community in the U.S. and all but a handful in the world. Sparked by this high-speed internet infrastructure, Chattanooga will become the first midsized city in America to establish an Innovation District. The new district, spanning 140 acres in the heart of downtown, is designed to be a place where new companies are born, talented creative entrepreneurs carve out compelling ideas and existing businesses expand.

Quality of life

Living in Chattanooga means that splendid views and outdoor adventures are around every corner, but Chattanooga is much more. Over the last four decades, the City has won acclaim for its unique way of producing national best practices for cleaning up air pollution, downtown revitalization and affordable housing. With a metropolitan population of over 530,000, Chattanooga blends "big city" amenities with "small town" ease of living. Area residents enjoy the friendly atmosphere, moderate housing costs, and easy commuting typically associated with smaller communities while the city's cultural and recreational opportunities rival those in much larger metropolitan

areas. Surrounded by the breathtaking natural beauty of the Tennessee mountains, Chattanooga has been named as one of America's most livable cities by national publications such as Outside Magazine, MSN Money and Livability.com.

Chattanooga's renaissance began with a visionary plan to invest in a necklace of recreation, historical exhibits, housing, museums, industry, hotels, shopping and tourist attractions along the banks of the magnificent Tennessee River. This vision has resulted in the Tennessee Aquarium, the Tennessee Riverpark, the Walnut Street Pedestrian Bridge, and Coolidge Park. A second renaissance was the creation of a model community in the Southside by rebuilding the district's job base and revitalizing housing opportunities. The expanded convention center and a conference center complex are in the heart of the community. The 21st Century Waterfront Development, a $120 million public/private partnership, has transformed the downtown riverfront with careful development that honors the history and preserves the beauty of the area. Enhancements include a dramatic underground passageway to the river marking the beginning of the Trail of Tears, a pedestrian connection linking the river to the Hunter Museum and neighboring Bluff View Art Districts via the dramatic Holmberg Bridge, and enhanced public spaces along both shores of the Tennessee River. The Tennessee Riverpark, a joint venture between the City of Chattanooga and Hamilton County, is a jewel with an unparalleled long stretch of greenway. This urban greenway connects neighborhoods and business districts via numerous trailheads. Ultimately the Riverpark will stretch from Chickamauga Dam through the Ross's Landing downtown to Moccasin Bend National Park. It has been an economic development tool attracting companies to Chattanooga because of the "intangibles" resulting in a quality lifestyle.

Chattanooga's historic Southside and Northshore neighborhoods, each with distinctive personality and energy, are experiencing revitalization. The urban neighborhoods are in close proximity to major downtown employers, schools, restaurants, and entertainment venues. As a result, many people are choosing to live downtown where they can be close to a pedestrian and bike-friendly lifestyle. The Southside is a unique part of town blossoming with clusters of art galleries and a variety of one-of-a-kind restaurants. Developers in the Southside are committed to repurposing historical buildings and residents embrace being near the bustling downtown while enjoying a quiet neighborhood. The Southside is home to the City's newest urban park, the Main Terrain. The Northshore neighborhood, beautifully situated on the Tennessee River, is perhaps Chattanooga's most eclectic community, and boasts a wealth of newly restored single-family 1940's-style bungalows along with luxury condominiums. Here you will find boutiques, restaurants, coffeehouses, galleries, salons and day spas, and even dance steps on the sidewalk. The area is home to two large city parks – Coolidge Park, with its play fountains and carousel, and the new Stringer's Ridge trail. Many find this a convenient, quiet place to live just a walking bridge away from downtown.

The cooperation of public and private sectors has been paramount in encouraging renewal and economic development throughout the City. With its proven experience, resources, low cost of living and progressive leadership, the City of Chattanooga is well-positioned for continued growth and success in industrial and economic development.

Financial Institutions

There are 27 commercial banks within the MSA reporting total deposits of $8,504,689,000 as of June 30, 2014. The following amounts are shown in thousands.

Institution	Deposits ($000)
First Tennessee Bank NA	$ 2,060,817
SunTrust Bank	1,593,608
Regions Bank	1,154,575
CapitalMark Bank & Trust	510,884
First Volunteer Bank Of TN	416,110
Cornerstone Community Bank	331,628
Northwest Georgia Bank	307,370
Citizens Tri-County Bank	278,037
FSGBank National Assn	274,670
Bank Of America National Association	226,988
Bank Of La Fayette Georgia	207,629
Community Trust & Banking Co	114,657
Synovus Bank	113,845
Citizens State Bank	110,936
Community National Bank	103,809
Capital Bank	97,223
Branch Banking & Trust Co	96,506
Wells Fargo Bank National Association	90,127
Mountain Valley Bank	82,482
Bank Of Dade	82,031
Citizens Bank & Trust Inc	68,497
First Bank	60,377
Southcrest Bank, National Association	42,031
Southeast Bank & Trust	32,420
First-Citizens Bank & Trust Co	23,935
First Jackson Bank Inc	13,881
First Farmers & Commercial Bank	9,616
	$ 8,504,689

Source: The Federal Deposit Insurance Corporation, June 30, 2014 (http://www2.fdic.gov/sod)

Transportation Services

The City is one of the region's major transportation hubs. Air transportation services are provided by the Chattanooga Metropolitan Airport Authority. Currently Chattanooga is served by Delta Airlines, American Airlines, US Airways, and Allegiant Air offering flights to Atlanta, Charlotte, Chicago, Dallas, Detroit, Orlando, Tampa and Washington D.C. The Chattanooga Airport Authority recently completed a $7.2 renovation project of the terminal building and purchased the leasehold interests of one of the airport's fixed base operators. During 2014, passenger flow included 352,459 enplaning passengers and 349,206 deplaning passengers for a total passenger flow of 701,665. General aviation services are provided by Chattanooga Aero, Crystal Air, Star Aviation Services/Star Avionics, Inc.; Wilson Air Center is the private fixed base operator. Privately owned and operated airport facilities include Collegedale Municipal Airport and Dallas Bay Skypark. All airport facilities are conveniently located from the downtown area of the City and provide such services as aircraft sales, instruction, charter services, fueling and maintenance of aircraft.

Railway service is provided by four divisions of the Norfolk Southern Railway System and two divisions of the CSX Transportation System, all with switching service throughout the entire area. Modern "piggyback" service is provided by all lines.

The City is served by three interstate highways, seven U.S. highways and nineteen State highways. One interstate bus line operates from the City to all other major cities. Local mass transportation service is furnished by the Chattanooga Area Regional Transportation Authority. Multiple daily departures are made via privately operated shuttle service to and from major metropolitan areas surrounding Chattanooga, such as Atlanta and Nashville.

In addition, channelization of the Tennessee River to a nine-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the City the benefits of year round, low-cost water transportation and a port on the nation's over 16,000 miles of navigable waterways. This system, formed largely by the Mississippi River and its tributaries, effectively links the Chattanooga with the Great Lakes in the north and the Gulf of Mexico in the south, with cargo passing through the lock with origin or destination in 17 states.

Health Care Services and Facilities

Chattanooga is known as a regional leader in the medical field; in Hamilton County, 11% of jobs are generated by health care including over 6,623 health care providers. Erlanger Health System, an academic teaching center affiliated with the University Of Tennessee College Of Medicine, is also the region's only Level-One Trauma Center. Children's Hospital, a Level III Neonatal Intensive Care Unit, the Southeast Regional Stroke Center, LIFE FORCE air critical care treatment and transportation system and the Tennessee Craniofacial Center are all part of Erlanger. The Memorial Health Care system includes the Chattanooga Heart Institute, one of the leading heart centers in the region, a Cancer Institute and an Orthopedic Center. Siskin Hospital, Tennessee's only not-for-profit hospital dedicated to physical rehabilitation, is located in Chattanooga. Health care facilities include five large hospitals, emergency medical centers, public and private mental health facilities, drug and alcohol abuse recovery facilities, rehabilitation centers, and speech and hearing facilities for the handicapped. In addition, the Chattanooga-Hamilton County Health Department provides services and facilities for the protection and well-being of the public health. Blue Cross Blue Shield of Tennessee has its headquarters in Chattanooga. Selected information about the hospitals for fiscal year 2014 follows:

	Approximate Beds	Approximate Net Revenues	Approximate Employees
Erlanger Medical Center	813	$ 591,983,000	3,468
Memorial Hospital	336	$ 416,131,000	2,496
Memorial North Park Hospital	69	$ 67,940,000	336
Parkridge Medical Center	275	$ 203,134,000	916
Parkridge East Hospital	128	$ 67,871,000	372
Parkridge Valley Behavioral Health	172	$ 30,321,000	242

Source: Hamilton County 2015 Bond Document

Educational Facilities

Chattanooga has a rich heritage in education dating back to the early 1800s when a school was established for the education of the Cherokee. That tradition continues with the Hamilton County Board of Education and charter schools. Magnet programs are also provided which combine parental involvement to create a progressive learning atmosphere. One magnet school, The International Baccalaureate World School, is a downtown work-site magnet school that concentrates on classical studies. Another magnet program, the STEM School, emphasizes skills in science, technology, engineering and math (STEM). The Hamilton County Collegiate High at ChattState allows students to finish high school while taking college-level courses and simultaneously receive an associate's degree. Business and education sectors in Chattanooga have united to cultivate a local workforce prepared for the jobs of the future. Mayor Berke has introduced and expanded a computer based program as part of the everyday routine at local youth and family centers where children can access educational opportunities while having fun.

In addition to public school facilities, there are various private, elementary and secondary educational facilities providing educational opportunities for students within the City and County including approximately 41 private and parochial schools with a combined enrollment of over 11,247.

The following universities and colleges are located in the Chattanooga metropolitan area. Enrollment data for fall 2014 is as follows:

	Fall 2014
Chattanooga State Technical Community College	14,880
University of Tennessee at Chattanooga	11,670
Northwestern Technical College	8,249
Southern Adventist University [(1)]	2,728
Covenant College [(1)]	1,094
Miller-Motte Technical College Chattanooga [(1)]	514
Virginia College-School of Business and Health in Chattanooga [(1)]	327
Chattanooga College of Medical Dental and Technical Careers [(1)]	266
Richmont Graduate University [(1)]	272

[(1)] Private.

Source: School Representative or Chattanooga Chamber

Police and Fire Protection

The City has total sworn police personnel numbering approximately 486 and an auxiliary civilian force of 115. Police protection is also provided by the other municipalities and counties throughout the MSA. The City has 429 sworn firefighters who provide fire prevention, firefighting and first response emergency service to all City residents. The City has been assigned a Class 2 fire insurance rating. Surrounding areas are served by both public and organized volunteer fire departments.

Cultural Activities and Facilities

Chattanooga has a long history of strong support for arts and cultural programs. The City boasts some of the finest arts facilities of any community its size in the nation, including the wonderfully renovated art deco Tivoli Theatre, home of the Chattanooga Symphony and Opera as well as local and touring dance, theatre, and musical events. Soldiers and Sailors Memorial Auditorium hosts traveling Broadway shows and concerts each year. The Hunter Museum of American Art and the Bessie Smith Cultural Center/African-American Museum houses some of the finest collections of American art in the Southeast, and the Chattanooga Theatre Centre boasts one of the best-equipped community theatre facilities in the nation. Public-use spaces, such as the award-winning Coolidge Park and Miller Park and Plaza host free concerts, public art, and exhibits each year. The City ranks in the top ten in per capita giving to a united arts fund. Its arts council and united arts fund, ArtsBuild, raises and distributes approximately $1 million each year for support of local arts organizations, educational programs, cultural diversity projects, and to strengthen the local economy.

The Riverbend Festival brings our community together in a riverfront celebration of our heritage and diversity. With capacity crowds exceeding 600,000, the Festival has become one of the South's premier entertainment events. Spread over a two-week period in June, Riverbend features a wide variety of music on five stages with more than 100 performing artists. The Festival has grown into an internationally recognized event that attracts hundreds of thousands of people to Chattanooga's beautiful 21st Century Waterfront. The Riverbend Festival has an economic impact of more than $24.8 million for Chattanooga and its surrounding communities. In

June 2015, the festival had two headliner acts for eight of the ten nights of the festival, giving visitors even more reasons to come to Chattanooga and giving locals one more reason to love it!

Chattanooga's rich arts scene is anchored by one of the nation's largest collections of American art. A drive through the Southside, a stroll around the Bluff View Art District and a walk across the Walnut Street Bridge to the Northshore, all provide an amazing presence of the arts. American Style magazine placed Chattanooga near the top for mid-size cities for the arts as evidenced by the growing number of professional artists who call Chattanooga home, the number of public art pieces on display, numerous arts-based festivals, museums, galleries and studios. Art is everywhere from the side of a walking path to downtown sculptures; even distance on the Riverwalk is marked by colorful metal sculptures.

Recreational Facilities

Chattanooga is blessed with an abundance of natural resources found in few places in the United States. The Tennessee River bisects the City, mountains surround the City and a multitude of outdoor activities are easily accessible. Chattanooga earned the prestigious Outdoor Award ,"Best Town Ever," for the second time in 2015 and will appear in the September 2015 issue of Outside magazine. The city won the first "Best Town Ever" competition in 2011 and is the first city to win this award for the second time. This accolade has helped Chattanooga attract national events, including the US Pro Cycling Championship and the Ironman U.S. Series, which bring in millions of dollars to the local economy. These events join the myriad others that have placed Chattanooga in numerous publications ranging from the New York Times to Southern Living and National Geographic a go-to place for recreation. Chattanooga provides opportunities for fishing, hang gliding, camping, rock climbing, rappelling, spelunking, white water rafting, kayaking, canoeing, rowing, hiking, and more. Through the City's therapeutic recreation program, many of these activities are available for all abilities. In addition to high-adventure outdoors activities, Chattanooga is also nationally known for its history and beauty found at the numerous facilities and parks.

The area has a number of state and local parks including the Tennessee Riverpark, featuring picturesque hiking trails, fishing piers, picnic facilities, playgrounds and open spaces. Other recreational facilities include over 65 parks, 35 miles of hiking and walking trails, Coolidge Park, the Walnut Street Bridge, Chattanooga's Historic Water Front, Bike Chattanooga Bike Transit System, 76 tennis courts, dozens of ball fields, AT&T Field (home of the Class AA Chattanooga Lookouts, a minor league baseball team), the newly renovated Chattanooga Zoo, and the Chattown Skatepark, among others.

Chattanooga is quickly becoming the Softball Capital of the U.S., hosting dozens of regional and U.S. tournaments yearly. Summit of Softball and Warner Park serve as testament to the City of Chattanooga's quality and attention to detail. In 2013, both the Amateur Softball Association and the National Softball Association held major "World Series" Tournaments, bringing over 200 teams and families from across the country, including Canada, to Chattanooga, over a two week period. These tournaments have solidified Chattanooga as a top destination for tournament play, not only based on the quality of the fields offered, but due to the family friendly destination that Chattanooga has become. Since opening in 2009, the Summit of Softball and the newly redesigned Warner Park have generated an estimated $30 million dollar economic boost to the Chattanooga area.

Other facilities attract other sports, such as the City of Chattanooga's Champions Club, featured as the backdrop for the TN State Tennis Hall of Fame, offers tournament style quality and play hosts numerous regional tournaments. Summers are booming at Warner Park which houses not only softball, but the Chattanooga Zoo and Warner Park Pool and Spray Park. Warner Park is also the home of the Chattanooga Fitness Center and one of 3 large outside fitness trails.

Demographic Trends

The City, largely reflecting annexations, had a substantial expansion of its area and its population during the 1970's. The County and the City experienced a decline in population for the period 1980-1990, however that trend is changing. Population and growth trends since 1960 are shown in the following table:

Census Year	City Area	City of Chattanooga	Hamilton County	State of TN	Decennial % Change City	County	State	US
1960	36.70	130,009	237,905	3,567,089	-0.8	14.2	8.4	18.5
1970	52.50	119,923	255,077	3,926,018	-7.8	7.2	10.1	13.3
1980	126.90	169,565	287,740	4,591,120	41.4	12.8	16.9	11.4
1990	126.90	152,466	285,536	4,877,855	-10.1	-0.8	6.2	9.8
2000	126.90	155,554	307,896	5,689,283	2.0	7.8	16.6	13.1
2010	144.00	171,349	336,463	6,346,105	10.2	9.3	11.5	9.7
2011	143.20	167,674	340,855	6,399,787	-	-	-	-
2012	143.20	170,136	345,545	6,456,243	-	-	-	-
2013	143.20	171,279	348,673	6,495,978	-	-	-	-
2014	143.20	173,778	351,220	6,549,352	-	-	-	-

Source: School Representative or Chattanooga Chamber

Per Capita Personal Income and Median Age (Chattanooga MSA)

Calendar Year	Per Capita Income	Median Age
2005	31,164	38.1
2006	31,113	38.5
2007	32,499	38.8
2008	33,051	38.9
2009	33,303	39.2
2010	34,784	39.7
2011	34,903	39.3
2012	34,632	39.0
2013	36,066	40.0
2014	37,228	39.8

Source: Survey of Buying Power Sales & Marketing Magazine (September 2005-2006), Chattanooga Chamber of Commerce (2007), U.S. Census Bureau American Community Survey (2008), U.S. Bureau of Economic Analysis (2009-2014) www.bea.gov.

Housing Units - City of Chattanooga

	1980	1990	2000	2010[1]	2011	2012	2013
Total Housing Units	66,630	69,562	71,953	79,806	69,351[3]	79,607[6]	78,718[7]
Single Unit Structures	72.70%	59.50%	59.10%	61.20%	59.70%[3]	65.10%[6]	60.80%[7]
Owner Occupied	52.40%	40.50%	40.40%	48.90%	54.80%[5]	54.41%[6]	54.41%[7]
Median value of Owner-Occupied Housing	$33,300	$54,483	$83,742	$126,500[2]	$134,700[4]	137,800[6]	140,000[7]

Source: U.S. Bureau of the Census, 1980-2000.

(1) Chattanooga Chamber of Commerce 2010
(2) www.census.gov. Chattanooga, TN 2005-2009 American Community Survey 5-Year Estimates
(3) www.census.gov. Chattanooga, TN 2011 American Community Survey 1-Year Estimates
(4) www.census.gov. Chattanooga, TN 2007-2011 American Community Survey 5-Year Estimates
(5) www.census.gov. Chattanooga, TN 2007-2011 American Community Survey 5-Year Estimates
(6) www.census.gov. Chattanooga, TN 2012 American Community Survey 1-Year Estimates
(7) www.census.gov. Chattanooga, TN 2013 American Community Survey 1-Year Estimates

Building Permits Issued

Calendar Year	Valuation	Number
2005	388,424,847	2,678
2006	415,215,320	2,667
2007 (1)	673,609,683	2,387
2008	352,269,516	1,186
2009 (2)(3)	466,268,463	1,848
2010	266,446,116	1,896
2011	392,043,677	2,105
2012 (4)	619,129,674	2,383
2013	428,388,807	1,938
2014	522,111,572	2,056

Valuation is based on current industrial average as published by the Southern Building Code Congress International.

(1) Permit valuation is based upon total cost of project. For 2007 the Blue Cross Blue Shield complex increased valuation even though the total number of permits decreased.

(2) Beginning with 2009 total valuations for other permits such as street cut-ins, sign permits, etc. are included.

(3) Calendar year 2009 includes $212 million for Volkswagen projects.

(4) Calendar year 2012 includes $145 million to Memorial Hospital's Glenwood Campus in addition to the Memorial North Park renovations.

Source: City of Chattanooga Land Development Office

COMPARATIVE STATISTICS RELATING TO THE DISTRIBUTION OF EFFECTIVE BUYING INCOME

Effective Buying Income

Metropolitan Chattanooga is the 99th largest population center in the nation and ranks 103rd largest in total effective buying income (as shown below in thousands).

	Chattanooga ($000)			Chattanooga MSA ($000)		
Year	Net Dollars	Per Capita	Average Per Household	Net Dollars	Per Capita	Average Per Household
2005	2,794,736	18,112	42,930	9,058,121	18,467	46,050
2006	2,909,790	18,884	44,422	9,484,540	19,180	47,632
2007	2,923,863	19,036	44,259	9,628,305	19,385	47,744
2008	2,896,840	18,833	43,439	9,696,867	19,303	47,293
2009	3,252,662	19,095	44,640	10,246,777	19,608	48,408
2010	3,381,712	19,605	45,805	10,465,612	19,912	49,156
2011	3,258,072	18,640	43,847	10,012,127	18,992	47,059
2012	3,103,395	18,397	43,443	10,700,855	19,839	49,620
2013	3,365,470	19,436	45,811	10,797,803	19,840	49,534
2014	3,293,190	18,745	44,117	11,995,414	21,897	54,700

Source: 2005-2014 data from Claritas, Inc.

Median Household Effective Buying Income

	2010	2011	2012	2013	2014
Chattanooga MSA	$38,697	$36,327	$36,052	$32,723	$31,395
Tennessee	37,934	35,549	35,434	36,168	39,059
United States	43,252	41,368	41,253	41,358	43,715

Source: Claritas, Inc.

Retail Sales Growth

Year	Chattanooga ($000)	Hamilton County ($000)	Chattanooga MSA ($000)
2005	4,286,969	5,297,083	6,910,937
2006	4,329,301	5,604,789	7,495,310
2007	4,562,191	5,801,143	7,826,750
2008	4,600,292	5,928,837	8,021,643
2009	4,108,923	5,208,214	7,202,470
2010	3,866,497	4,924,775	6,710,426
2011	3,981,579	7,791,788	7,082,990
2012	4,038,879	5,268,754	7,791,788
2013	4,301,332	6,321,726	8,630,551
2014	4,942,094	6,321,683	8,675,969

Source: 2005 data from Sales & Marketing Management Survey of Buying Power (September 2000-2005).
2006-2014 data from Claritas, Inc.

Employment and Unemployment Statistics

The total civilian labor force for the MSA for the past ten years is set forth below:

	MSA Civilian Labor Force ($000)			Civilian Labor Force %		
Year	Total	Employed	Unemployed	MSA	TN	U.S. (2)
2006	261.6	250.1	11.5	4.4	5.2	4.6
2007	265.1	254.3	10.8	4.1	4.7	4.6
2008	264.9	249.3	15.5	5.9	6.6	5.8
2009	258.2	233.8	24.4	9.5	10.5	9.3
2010	258.4	235.5	22.8	8.8	9.7	9.6
2011	262.1	240.5	21.6	8.2	9.0	8.9
2012	261.3	242.2	19.1	7.3	7.8	8.1
2013	256.9	238.0	18.9	7.3	7.8	7.4
2014	249.2	232.9	16.2	6.5	6.7	6.2
2015(1)	254.7	241.6	13.1	5.2	5.3	5.4

Source: Bureau of Labor Statistics (www.bls.gov)
*The Unemployment Rate for Year 2015 is an average of monthly rates estimated through April, 2015

Largest Employers in the Chattanooga Area

The largest employers within the Chattanooga area in the manufacturing and non-manufacturing sectors in 2015 are:

TOP NON-MANUFACTURERS

Employer	Number of Full-Time Employees	Type of Product / Service
Hamilton County Dept. of Education	4,504	Elementary & Secondary Schools
BlueCross BlueShield of Tennessee	4,437	Insurance
Tennessee Valley Authority	3,737	Utility - Electric Service
Erlanger Health System	3,604	Health Care
Memorial Health Care System	2,832	Health Care
Unum	2,800	Insurance
Amazon.com.dedc LLC	2,473	Distribution Center
City of Chattanooga	2,230	Government
CIGNA HealthCare	2,200	Insurance
Hamilton County Government	1,833	Government
Parkridge Medical Center, Inc.	1,254	Health Care
The University of TN at Chattanooga	1,218	University
U.S. Xpress Enterprises, Inc.	1,036	Transportation Services

TOP MANUFACTURERS

Employer	Number of Full-Time Employees	Industry
McKee Foods Corporation	2,750	Cakes & Cookies
Volkswagen Chattanooga	2,372	Automobiles
Roper Corporation	1,650	Cooking Products
Astec Industries, Inc	1,318	Asphalt & Construction Equipment
Pilgrim's Pride Corporation	1,300	Poultry Producer, Processor
Chattem Inc.	737	Health & Beauty Products
Koch Foods, LLC	600	Poultry Producer, Processor
Chattanooga Coca-Cola Bottling Co.	536	Soft Drinks
Southern Champion Tray, LP	468	Folding Cartons
Miller Indsutries Towing Equipment, Inc	404	Towing Equipment
Komatsu America Corp.	358	Heavy Construction Equipment
Mueller Co.	357	Gate Valves
INVISTA	352	Nylon Fiber, Engineered Polymers
Propex Operating Company, LLC.	351	Carpet Backing/Technical Textiles

Source: Chattanooga Area Chamber of Commerce Major Employers List - 2015.

APPENDIX D

ELECTRIC POWER BOARD OF THE CITY OF CHATTANOOGA

SUMMARY OF CERTAIN PROVISIONS OF THE BOND RESOLUTION

SUMMARY OF BOND RESOLUTION

General

Pursuant to Resolution No. 22629 ("Resolution"), the Series 2015 Bonds (the "Bonds") and any additional Obligations issued under the Resolution are payable from and secured by an irrevocable lien on and irrevocable pledge of (1) all Electric System Revenues, (2) the proceeds of sale of Obligations for Electric System purposes until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations, (3) all amounts held in the funds, accounts and subaccounts established by the Resolution derived from Electric System operations, including investment earnings thereon and (4) all funds, moneys and securities and any and all other rights and interests in property, whether tangible or intangible, from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Resolution for the Obligations by EPB or by anyone on its behalf, or with its written consent (collectively, the "Trust Estate"). The Trust Estate does not include any Separately Financed Project (as hereinafter defined) or any revenues related thereto.

"Revenues" are defined in the Resolution as (1) all rates, fees, charges, income, rents and receipts derived from or attributable to the ownership and operation of the Electric System, including all revenues attributable to the Electric System or to the payment of the costs thereof received under any contracts for the sale of power, energy, transmission or other use of the services, facilities or products of the Electric System or any part thereof or any contractual arrangement with respect to the use of the Electric System or any portion thereof or the services, output, facilities, capacity or products of the Electric System, (2) the proceeds of any insurance covering business interruption loss relating to the Electric System, (3) interest received on the investment or reinvestment of any moneys held in the Electric Fund and (4) payments received under a Qualified Swap; provided, however, that "Revenues" shall not include revenues from a Separately Financed Project or Contributions in Aid of Construction.

Pursuant to Section 9.08 of the Resolution, the City, acting through EPB, may add to the Electric System any facilities or equipment related to the generation, transmission and/or distribution of electricity or for the provision of other utility related services so long as, if any Tax-Exempt Obligations are Outstanding under the Resolution, the City, acting through EPB, shall have received an opinion of Bond Counsel that the addition to the Electric System will not cause the interest on such Tax-Exempt Obligations not to be excluded from the gross income of the owners thereof for federal income tax purposes. In addition, assets may be added to or removed from the Electric System in accordance with the provisions of the Resolution. Accordingly, under such circumstances the Electric System's Revenues and Costs of Operation and Maintenance will be affected. The City may also acquire or construct Separately Financed Projects (as described below) without including such Projects as part of the Electric System, or the revenues and expenses attributable thereto, a part of the Revenues and Costs of Operation and Maintenance of the Electric System.

The Bonds shall not be or constitute general obligations or indebtedness of the City within the meaning of the Constitution of Tennessee, but shall be payable solely from and secured by a lien upon and a pledge of the Trust Estate, in the manner and to the extent provided in the Resolution. No Bondholder of the Series 2015 Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the City or taxation in any form on any real or personal property to pay such Bonds or the interest thereon, nor shall any Bondholder be entitled to payment of such principal and interest from any other funds of the City other than the Trust Estate, all in the manner and to the extent provided in the Resolution.

The Resolution allows the City, acting on behalf of and upon request by EPB, to authorize and issue bonds, notes, or other obligations or evidences of indebtedness, other than Obligations, for any project authorized by law, or for any project for the provision of goods or services other than the generation, transmission, distribution and sale of electric energy and capacity or related goods and services which are at the time the Resolution is adopted or thereafter may be authorized or permitted for municipal electric systems generally or the EPB specifically under any Tennessee or federal law or the Charter of the City of Chattanooga, or from financing or otherwise providing for any such project from other available funds (such project being defined as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, and the City's or EPB's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project, from other available funds of

EPB not constituting part of the Trust Estate or from other funds withdrawn by EPB from the Electric System funds of similar maturity dates pursuant to the Resolution.

Proceeds

Except as otherwise provided in the Resolution, the proceeds, including accrued interest and premium, if any, received from the sale of the Obligations of any Series shall be applied by EPB simultaneously with the delivery of such Obligations in accordance with the provisions of a Supplemental Resolution of the City enacted or adopted at or before the delivery of such Series of Obligations, in conformity with the Resolution.

Defeasance

If, at any time after the date of issuance of the Obligations, (1) all Obligations secured by the Resolution, or any Series thereof, or maturity or portion of a maturity within a Series, shall have become due and payable in accordance with their terms or otherwise as provided in the Resolution, or shall have been duly called for redemption, or the City gives the Paying Agent irrevocable instructions directing the payment of the principal of, premium, if any, and interest on such Obligations at maturity or at any earlier redemption date scheduled by the City or any combination thereof, (2) the whole amount of the principal, premium, if any, and the interest so due and payable upon all of such Obligations then outstanding, at maturity or upon redemption, shall be paid, or sufficient moneys shall be held by the Paying Agent, an escrow agent or any Authorized Depository, in irrevocable trust for the benefit of such Bondholders (whether or not in any accounts created thereby) which, as verified by a report of a nationally recognized independent certified public accountant or nationally recognized firm of independent certified public accountants, when invested in Federal Securities maturing not later than the maturity or redemption dates of such principal, premium, if any, and interest will, together with the income realized on such investments, be sufficient to pay all such principal, premium, if any, and interest on said Obligations at the maturity thereof or the date upon which such Obligations are to be called for redemption prior to maturity, and (3) provisions shall also be made for paying all other sums payable under the Resolution by the City, then and in that case the right, title and interest of such Bondholders under the Resolution and the pledge of and lien on the Trust Estate, and all other pledges and liens created by the Resolution or pursuant thereto, with respect to such Bondholders shall thereupon cease, determine and become void, and if such conditions have been satisfied with respect to all Obligations issued under the Resolution and then Outstanding, all balances remaining in any other funds or accounts created by the Resolution other than moneys held for redemption or payment of Obligations and to pay all other sums payable by the City under the Resolution shall be distributed to the City for any lawful purpose; otherwise the Resolution shall be, continue and remain in full force and effect.

For purposes of determining the amount of interest due and payable with respect to Variable Rate Obligations pursuant to (2) above, the interest on such Variable Rate Obligations shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Rate Obligations having borne interest at less than such maximum rate for any period, the total amount of moneys and Federal Securities on deposit with the Paying Agent for the payment of interest on such Variable Rate Obligations is in excess of the total amount which would have been required to be deposited with the Paying Agent on such date in respect of such Variable Rate Obligations in order to satisfy the above provisions, the Paying Agent shall pay the amount of such excess to the City for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Obligations (other than Taxable Bonds) or any bonds issued to refund the Obligations to cease to be excludable from gross income for federal income tax purposes.

For purposes of determining the amount of principal, premium, if any, and interest due and payable pursuant to Section 12.02(2) above with respect to Obligations subject to mandatory purchase or redemption by the City at the option of the Bondholder thereof ("Put Bonds"), as long as a liquidity credit facility remains in place such amount shall be the maximum amount of principal of and premium, if any, and interest on such Put Bonds which could become payable to the Bondholders of such Put Bonds upon the exercise of any such demand options provided to the Bondholders of such Put Bonds. If any portion of the moneys deposited with the Paying Agent for the payment of the principal of and premium, if any, and interest on Put Bonds is not required for such purpose the Paying Agent shall pay the amount of such excess to the City for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Obligations (other than Taxable Bonds) or any bonds issued to refund the Obligations to cease to be excluded from gross income for federal income tax purposes.

If a portion of a maturity of a series of Obligations subject to mandatory sinking fund redemption shall be defeased as provided above, the principal amount of the Obligations so defeased shall be allocated to the mandatory sinking fund installments designated by the City or if no such designation is made, such principal amount shall be allocated to mandatory sinking fund installments in inverse order of maturity.

Event of Default

Each of the following events is declared an "event of default" by the Resolution: (1) payment of principal of any Obligation shall not be made when the same shall become due and payable, either at maturity (whether by acceleration or otherwise) or on required payment dates by proceedings for redemption or otherwise; or (2) payment of any installment of interest shall not be made when the same shall become due and payable; or (3) the City or EPB shall for any reason be rendered incapable of fulfilling their obligations under the Resolution to the extent that the payment of or security for the Obligations would be materially adversely affected, and such conditions shall continue unremedied for a period of thirty (30) days after the City becomes aware of such conditions; or (4) a final order or decree shall be entered, with the consent or acquiescence of the City appointing a receiver or receivers of the City, EPB, the Electric System, the Revenues, or any part thereof or the filing of a petition by EPB for relief under federal bankruptcy laws or any other applicable law or statute of the United States of America or the State of Tennessee, which shall not be dismissed, vacated, appealed or discharged within thirty (30) days after the filing thereof; or (5) any proceedings shall be instituted, with the consent or acquiescence of EPB, for the purpose of effecting a composition between EPB and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statutes at the time the Resolution is adopted or thereafter enacted, if the claims of such creditors are under any circumstances payable from the Revenues; or (6) the entry of a final judgment or judgments for the payment of money against EPB, as a result of the ownership, operation or control of the Electric System or which subjects any of the funds pledged under the Resolution to a valid lien under state or federal law and for the payment thereof in contravention of the provisions of the Resolution for which there does not exist adequate insurance, reserves or appropriate bonds for the timely payment thereof, and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or (7) EPB shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Obligations or in the Resolution on the part of EPB, to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Bondholders of not less than twenty-five percent (25%) of the Bond Obligation; notwithstanding the foregoing, however, an event of default shall not be deemed to have occurred under this paragraph (7) if the default of the EPB cannot be cured within sixty (60) days of such notice but can be cured within a reasonable period of time and EPB in good faith institutes curative action within such sixty-day period and diligently pursues such action until the default has been corrected. Notwithstanding the foregoing, with respect to the events described in clauses (3) and (7), the City or EPB shall not be deemed in default under the Resolution if such default can be cured within a reasonable period of time and if EPB in good faith institutes appropriate curative action and diligently pursues such action until the default has been corrected.

Remedies upon Default

Upon the happening and continuance of any event of default specified above under "Event of Default", then and in every such case the Bondholders of not less than twenty-five percent (25%) of the Bond Obligation may appoint any state bank, national bank, trust company or national banking association qualified to transact business in Tennessee to serve as trustee for the benefit of the Bondholders of all Obligations then outstanding (the "Trustee"). Notice of such appointment, together with evidence of the requisite signatures of the Bondholders of twenty-five percent (25%) of the Bond Obligation and the trust instrument under which the Trustee shall have agreed to serve shall be filed with the City and the Chief Financial Officer with a copy to the Trustee and notice of such appointment shall be published in THE BOND BUYER or a financial journal of general circulation in the City of New York, New York and mailed to the Bondholders of the Obligations; provided, however, that if all Obligations then Outstanding are in registered form, no newspaper publication shall be required. After the appointment of a Trustee under the Resolution, no further Trustees may be appointed; however, the Bondholders of a majority of the Bond Obligation may remove the Trustee initially appointed and appoint a successor and subsequent successors at any time. If the default for which the Trustee was appointed is cured or waived pursuant to the Resolution, the appointment of the Trustee shall terminate with respect to such default.

After a Trustee has been appointed pursuant to the foregoing, the Trustee may proceed, and upon the written request of Bondholders of twenty-five percent (25%) of the Bond Obligation shall proceed, to protect and enforce the rights of the Bondholders under the laws of the State of Tennessee, including the Act, and under the Resolution, by such suits, actions or special proceedings in equity or at law in the Circuit or Chancery Courts of Hamilton County, Tennessee, or by regulatory or administrative proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Resolution or in aid of execution of any power in the Resolution granted or for the enforcement of any proper legal or equitable remedy, all as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy against the City or EPB, under the Resolution the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the City or EPB, for principal, interest or other sums due under any provisions of the Resolution or of such Obligations and unpaid, with interest on overdue payments of principal and, if permitted by law, at the rate or rates of interest specified in such Obligations, together with any and all reasonable costs and expenses of collection and of all proceedings thereunder and under such Obligations, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce any judgment or decree against the City or EPB, but solely as provided in the Resolution and in such Obligations, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Electric Fund, as the case may be, and any other moneys available for such purpose) in any manner provided by law, the moneys adjudged or decreed to be payable.

Rate Covenant

The City has covenanted that so long as any Obligations remain Outstanding, EPB will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements, approvals or restrictions imposed by law or regulations or the provisions, terms and conditions of EPB's wholesale power contract with the Tennessee Valley Authority or its successors and assigns, such rates, rentals, fees and charges for the use of and for the services and products provided by the Electric System as are expected to be sufficient in each Fiscal Year to produce Revenues, in an amount at least equal to the sum of (1) one hundred percent (100%) of the Costs of Operation and Maintenance for such Fiscal Year, (2) one hundred percent (100%) of the Debt Service Requirement for such Fiscal Year, (3) one hundred percent (100%) of the amounts payable with respect to Subordinated Indebtedness and Subordinated Contract Obligations in such Fiscal Year, and (4) one hundred percent (100%) of the amount required to maintain the Reserve Fund in accordance with the requirements of the Resolution.

Failure by EPB to comply with the rate covenant described in the immediately preceding paragraph in any Fiscal Year shall not constitute an event of default as described in the Resolution so long as EPB shall, no later than sixty (60) days after discovering such non-compliance and in all events no later than sixty (60) days of receipt by EPB of audited financial statements delivered pursuant to the Resolution which statements show such non-compliance, retain a Qualified Independent Consultant for the purpose of reviewing the Electric System fees, rates, rents, charges and surcharges and shall, subject to securing such approvals as may be required and that in good faith will be sought by EPB, implement the recommendations of such Qualified Independent Consultant with respect to such fees, rates, rents, charges and surcharges filed by the Qualified Independent Consultant with EPB in a written report or certificate, and such failure shall not be an event of default even though the Qualified Independent Consultant shall be of the opinion, as set forth in such report or certificate, that it would be impracticable at the time to charge such fees, rates, rents, charges and surcharges for the Electric System as would provide funds sufficient to comply with the requirements of the immediately preceding paragraph so long as EPB imposes such schedule of fees, rates, rents, charges and surcharges as in the opinion of such Qualified Independent Consultant will allow EPB to as nearly as then practicable comply with such requirements and EPB shall again be in compliance within the immediately preceding paragraph no later than twelve calendar months after its discovery of such non-compliance. EPB, acting with the authority of the City, also has agreed in the Resolution to provide notice of its failure to comply with the above-described rate covenant to the Bondholders by first class mail, postage prepaid, no later than thirty (30) days after engaging the services of a Qualified Independent Consultant pursuant to the requirements of the preceding sentence and to provide a copy of the report or certificate of the Qualified Independent Consultant to any Bondholder who shall request the same in writing. Furthermore, EPB, acting with the authority of the City, shall provide a copy of the report or certificate of the Qualified Independent Consultant to the Rating Agencies within thirty (30) days after receipt of same.

Debt Service Reserve Fund

Pursuant to the Resolution, the City has established the EPB Debt Service Reserve Fund (the "Reserve Fund") for the benefit of the Obligations. Amounts on deposit in the Reserve Fund may be used solely for the purpose of curing deficiencies in the Electric Fund for the payment when due of the principal of and interest on the Obligations. If funds on deposit in the Reserve Fund or the available amount under a Reserve Product on deposit in the Reserve Fund exceed in the aggregate the Reserve Requirement (as described below), the excess cash shall be deposited into the Electric Fund. Upon the initial delivery of the Bonds the Reserve Fund shall be unfunded and the City shall only be required to fund the Reserve Fund upon the occurrence of the conditions described below.

So long as the Net Revenues for each Fiscal Year equal or exceed 150% of the Debt Service Requirement for each such Fiscal Year, the Issuer shall not be obligated to fund or maintain the Reserve Fund. If for any Fiscal Year the Net Revenues are less than 150% of the Debt Service Requirement for such Fiscal Year, the Issuer shall be obligated to fund and maintain in the Reserve Fund an amount equal to:

(1) ten percent (10%) of the maximum Debt Service Requirement if the Net Revenues for the previous Fiscal Year were less than 150% of the Debt Service Requirement for such Fiscal Year, but were greater than or equal to 140% of the Debt Service Requirement for such Fiscal Year;

(2) twenty percent (20%) of the maximum Debt Service Requirement if the Net Revenues for the previous Fiscal Year were less than 140% of the Debt Service Requirement for the previous Fiscal Year, but greater than or equal to 130% of the Debt Service Requirement for the previous Fiscal Year;

(3) thirty percent (30%) of the Maximum Debt Service Requirement if the Net Revenues for the previous Fiscal Year were less than 130% of the Debt Service Requirement for the previous Fiscal Year, but greater than or equal to 120% of the Debt Service Requirement for the previous Fiscal Year;

(4) forty percent (40%) of the Maximum Debt Service Requirement if the Net Revenues for the previous Fiscal Year were less than 120% of the Debt Service Requirement for the previous Fiscal Year, but greater than or equal to 110% of the Debt Service Requirement for the previous Fiscal Year; and

(5) fifty percent (50%) of the Maximum Debt Service Requirement if the Net Revenues for the previous Fiscal Year were less than 110% of the Debt Service Requirement for the previous Fiscal Year.

If at any time EPB is required to fund the Reserve Fund, or to increase the amount required to be maintained in the Reserve Fund pursuant to a Supplemental Resolution, the amount, or increase in the amount, as applicable, may be funded in up to twelve substantially equal consecutive monthly deposits commencing not later than the month following the receipt of audited financial statements for the Electric System for the preceding Fiscal Year in accordance with the terms of the Resolution.

The Reserve Requirement may be funded with cash or Investment Obligations, or one or more Reserve Products, or a combination thereof, all as described in the Resolution.

Additional Obligations

Additional Obligations may be issued or Parity Debt may be incurred from time to time under the Resolution on parity in all respects with the Bonds for any lawful purpose of the City in connection with the Electric System upon compliance with the following conditions:

(1) the City shall have enacted a Supplemental Resolution authorizing such Obligations or Parity Debt and providing the terms thereof as contemplated in the Resolution and reciting that all of the covenants contained in the Resolution will be fully applicable to such Obligations;

(2) the Chief Financial Officer of the City shall certify in writing that, upon the delivery of such Obligations or incurrence of such Parity Debt, the City will not be in default in the performance of the terms and provisions of the Resolution or of any of the Obligations or Parity Debt;

(3) the Chief Financial Officer of the City shall certify in writing that the Net Revenues of the Electric System as shown on the then-most recent available audited financial statements of the Electric System, adjusted as described below, equal or exceed 1.1 times the maximum annual Debt Service Requirement for all Outstanding Obligations and Parity Debt and the additional Obligations proposed to be issued or Parity Debt proposed to be

incurred for the first complete Bond Year during which such additional Obligations or Parity Debt shall be Outstanding; and

(4) EPB shall have received an opinion or opinions from the City Attorney of the City, EPB's General Counsel or any attorney designated or appointed by him or her and/or from Bond Counsel to the effect that (a) the City has the right and power under the Act to enact the Resolution and the Resolution has been duly and lawfully enacted by the City, is in full force and effect and is valid and binding upon the City and is enforceable in accordance with its terms and no other authorization of the Resolution is required, (b) the Resolution creates a valid lien upon and pledge of the Trust Estate, (c) the Obligations are, or Parity Debt is, valid and binding limited obligations of the City, enforceable in accordance with their terms and the Resolution and have been duly and validly authorized and issued in accordance with the Act and the Resolution, and (d) the City has the full lawful power and authority to issue the Obligations for the purposes for which they are authorized.

In calculating Net Revenues of the Electric System for purposes of paragraph (3) above, the Chief Financial Officer may, at his or her option, adjust the amount of Net Revenues shown on the most recent available audited financial statements of the Electric System in the following respects:

(a) If, prior to the issuance of the additional Obligations or incurrence of Parity Debt, EPB shall have increased the rates, fees, rentals or other charges for services of the Electric System, the Net Revenues may be adjusted to show the Net Revenues that would have been derived from the Electric System if such increased rates, fees, rentals or other charges had been in effect for the full Fiscal Year covered by such audited financial statements;

(b) If EPB shall have acquired or shall have contracted to acquire all or part of any privately or publicly owned utility system which is to be added to the Electric System and the cost of which is to be paid, in whole or in part, from proceeds of the proposed additional Obligations, then the Net Revenues shall be increased by adding thereto the Net Revenues that would have been derived if such addition to the Electric System had been included in the Electric System for the full Fiscal Year covered by such audited financial statements; and

(c) If EPB, in connection with the issuance of the additional Obligations or incurrence of Parity Debt, shall enter into a contract (with a duration or term not less than the final maturity of such additional Obligations) with any public or private entity whereby EPB agrees to furnish services of the Electric System to such entity, then the Net Revenues shown on the audited financial statements shall be increased by the estimated amount which such public or private entity has agreed to pay in one Fiscal Year for the furnishing of such services, after deducting therefrom the cost of operation, maintenance, repair, renewal and replacement allocable to providing such services.

Obligations issued or Parity Debt incurred pursuant to the terms and conditions of the foregoing paragraphs shall be deemed on a parity with all Obligations and Parity Debt then Outstanding, and all of the covenants and other provisions of the Resolution shall be for the equal benefit, protection and security of the Bondholders of any Obligations originally authorized and issued and Parity Debt incurred pursuant to the Resolution and the Bondholders of any Obligations and Parity Debt evidencing additional obligations subsequently created within the limitations of and in compliance with the Resolution.

Flow of Funds

The Resolution establishes three funds, the "EPB Electric Fund" (the "Electric Fund"), the "EPB Capital Fund" (the "Capital Fund") and the previously described Reserve Fund. See "Debt Service Reserve Fund" herein. The City may subsequently establish one or more separate accounts or subaccounts in the Electric Fund or the Capital Fund.

All Revenues received from the generation, transmission, distribution and sale of electric power and energy shall be deposited to the credit of the Electric Fund as and when received. EPB shall also pay into the Electric Fund such portion of the proceeds of any Series of Obligations which may have been issued to pay Costs of Operation and Maintenance as shall be specified pursuant to the Supplemental Resolution authorizing such Series of Obligations. Amounts in the Electric Fund shall be paid out, accumulated or withdrawn from time to time for the following purposes and, as of any time, in the following order of priority:

(l) Payment of reasonable and necessary Costs of Operation and Maintenance or accumulation in the Electric Fund as a reserve (a) for working capital, (b) for such Costs of Operation and Maintenance the payment of which is not immediately required, including, but not limited to amounts determined by EPB to be required as an

operating reserve in accordance with the Resolution, or (c) deemed necessary or desirable by EPB to comply with orders or other rulings of an agency or regulatory body having lawful jurisdiction;

(2) Payment of, or accumulation in the Electric Fund as a debt service account or sinking fund for the payment of interest on and the principal of, or Redemption Price of, the Obligations and the payment of Parity Debt, on a parity basis, on their respective due dates or redemption dates, as the case may be;

(3) Withdrawal and deposit to the credit of the Reserve Fund of amounts necessary to fund or replenish the Reserve Fund in accordance with the provisions of the Resolution described herein under the heading "Debt Service Reserve Fund"; provided however, that any deficiency in the Reserve Fund resulting from a withdrawal therefrom to cure a debt service deficiency may be made up through not to exceed thirty-six (36) substantially equal consecutive monthly deposits commencing in the month following withdrawal;

(4) Payment of principal of and interest on and other amounts payable with respect to any Subordinated Indebtedness, or payment of amounts due under any Subordinated Contract Obligations; and

(5) Withdrawal for any lawful purpose, including payments in lieu of taxes; provided, however, that, prior to any application pursuant to subparagraphs (3), (4) or (5), respectively, EPB shall have determined, taking into account, among other considerations, anticipated future receipts of Revenues contained in the annual operating budget for the Electric System required by the Resolution and other moneys constituting part of the Trust Estate, that funds to be so applied are not needed for any of the purposes set forth in any of the preceding paragraphs (1) through (5).

EPB shall from time to time, and in all events prior to any withdrawal of moneys from the Electric Fund pursuant to paragraph (5) above, determine (a) the amount, to be held as a reserve in the Electric Fund, which in the judgment of EPB is adequate for the purpose of providing for the costs of emergency repairs or replacements essential to restore or prevent physical damage to, and prevent loss of Revenues from, the Electric System, and (b) the amount, to be held as a reserve in the Electric Fund, which in the judgment of EPB is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments and improvements with respect to the Electric System necessary to keep the Electric System in good operating condition or required by any governmental agency having jurisdiction over the Electric System.

Amounts, if any, set aside by EPB in any accounts in the Electric Fund may be used by EPB at such time or times and in such amounts as determined by EPB for the purpose of paying all or any portion of the interest on and principal of or Redemption Price of the Obligations and payment of Parity Debt, on their respective due dates, or redemption dates, as the case may be.

EPB shall pay into the Capital Fund the amounts required to be so paid by the provisions of the Resolution and any Supplemental Resolution authorizing the issuance of any Series of Obligations for the purpose of financing Capital Costs, including, without limitation, the portion of the proceeds of any such Obligations specified in such Supplemental Resolution, except as may be otherwise provided in a Supplemental Resolution with respect to certain Capital Costs. Amounts in the Capital Fund shall be applied solely to the Capital Costs of the Electric System. Any amounts in the Capital Fund which are in excess of the amounts required to pay for such Capital Costs may at the direction of EPB be transferred to the Electric Fund. When amounts are deposited in the Capital Fund to pay the capitalized cost of interest on Obligations, EPB shall pay from the Capital Fund to the Paying Agent, on or before the date or dates on which interest on such Obligations becomes due and payable, an amount equal to such interest. Notwithstanding the foregoing provisions of this paragraph, amounts in the Capital Fund must be applied to the payment of principal and Redemption Price of and interest on the Obligations and the payment of Parity Debt, on a parity basis, when due at any time that other moneys are not available therefor.

Amendment to Resolution

No modification or amendment of the Resolution, or of any Supplemental Resolution, materially adverse to the Bondholders may be made without the consent in writing of the Bondholders of not less than a majority of the Bond Obligation, but no modification or amendment shall permit a change (1) in the maturity of any of the Obligations or a reduction in the rate of interest thereon, (2) in the amount of the principal obligation of any Obligation, (3) that would affect the unconditional obligation of the City and EPB, to collect and hold the Revenues as provided in the Resolution, or provide for the receipt and disbursement of such revenues as provided in the Resolution, or (4) that would reduce such percentage of Bondholders of the Bond Obligation, required above, for

such modifications or amendments, without the consent of all of the Bondholders. For the purpose of Bondholders' voting rights or consents, the Obligations, if any, owned by or held for the account of the City, directly or indirectly, shall not be counted. Notwithstanding the foregoing, and so long as the same shall not result in the interest on Obligations other than Taxable Obligations Outstanding under the Resolution being included in gross income of the Bondholders thereof for federal income tax purposes, EPB, acting with the authority of the City, may, from time to time without the consent of the Bondholders, enter into such supplemental ordinances or resolutions (which supplemental ordinances or resolutions shall thereafter form a part of the Resolution): (a) to cure any ambiguity, inconsistency or formal defect or omission in the Resolution or in any Supplemental Resolution, or (b) to grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders, or (c) to provide for the sale, authentication and delivery of additional Obligations or refunding Obligations and the disposition of the proceeds from the sale thereof, in the manner and to the extent authorized by the Resolution, or (d) to modify, amend or supplement the Resolution or any ordinance or resolution supplemental thereto in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute at the time the Resolution is adopted or thereafter in effect or to permit the qualification of the Obligations for sale under the securities laws of any of the states of the United States of America, and, if EPB, acting with the authority of the City, so determines, to add to the Resolution or any ordinance or resolution supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, or (e) to provide for the issuance of coupon Obligations or certificated or uncertificated registered public obligations as contemplated in the Resolution, or (f) to provide for changes suggested by a nationally recognized securities rating agency as necessary to secure or maintain the rating on the Obligations, or (g) to subject to the terms of the Resolution any additional funds, securities or properties, or (h) to make any other change or modification of the terms of the Resolution which, in the reasonable judgment of the City is not prejudicial to the rights or interests of the Bondholders of the Obligations under the Resolution. Notice of any amendments or modifications of the Resolution shall be given by the City to the Rating Agencies then rating any Obligations Outstanding under the Resolution.

Definitions

As used herein, unless the context otherwise requires:

"Accreted Values" means, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Compounding Date next preceding the date of computation or the date of computation if a Compounding Date, such interest to accrue at a rate not exceeding the maximum rate permitted by law, compounded periodically, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bonds, if such date of computation shall not be a Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Compounding Date and the Accreted Value as of the immediately succeeding Compounding Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

"Act" means Sections 7-34-101 to 7-34-118 (originally Sections 6-1301 to 6-1318), inclusive, Tennessee Code Annotated, Constitution of the State of Tennessee, Chapter 455 of the 1935 Private Acts of the General Assembly of the State of Tennessee, as amended, the Charter of the City of Chattanooga, Tennessee and other applicable provisions of law.

"Annual Budget" means the annual operating and capital budget of the Electric System, as amended and supplemented from time to time, prepared by EPB, for each Fiscal Year in accordance with Section 9.02 below and in accordance with the laws of the State of Tennessee.

"Authorized Depository" means any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by EPB as a depository under the Resolution.

"BMA Municipal Index" means The Bond Market Association Municipal Swap Index as of the most recent date for which such index was published, or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by The Bond Market Association or any successor thereto; provided, however, that, if such index is no

longer produced by Municipal Market Data, Inc. or its successor, then "BMA Municipal Index" shall mean such other reasonably comparable index selected by EPB.

"Bond Counsel" means counsel experienced in matters relating to the validity of, and the exclusion from gross income for federal income tax purposes of interest on, obligations of states and their political subdivisions selected by EPB.

"Bondholders" means the registered owners (or their authorized representatives) of Obligations issued in registered form and the holders of Obligations issued in bearer form.

"Bond Obligation" means, as of the date of computation, the sum of: (i) the principal amount of all Current Interest Bonds then Outstanding and (ii) the Accreted Value on all Capital Appreciation Bonds then Outstanding.

"Bond Year" means the Fiscal Year; provided that when such term is used to describe the period during which deposits are to be made pursuant to Article VII of the Resolution to amortize the principal and interest on the Obligations maturing or becoming subject to redemption, or the amount of debt service to be included in the Debt Service Requirement for purposes of Section 9.03 below, the principal and interest maturing or becoming subject to redemption on the first day of any Bond Year shall be deemed to mature or become subject to redemption on the last day of the preceding Bond Year.

"Business Day" means a day other than (i) a Saturday, Sunday, legal holiday or day on which banking institutions in the city in which the Paying Agent has its principal corporate trust office are authorized or required by law or executive order to close, or (ii) a day on which the New York Stock Exchange is closed.

"Capital Appreciation Bonds" means Obligations that bear interest which is payable only at maturity or upon redemption prior to maturity in amounts determined by reference to the Accreted Values.

"Capital Costs" means the costs of (i) physical construction of or acquisition of real or personal property or interests therein for any Project, together with incidental costs (including legal, administrative, engineering, consulting and technical services, insurance and financing costs), working capital and reserves deemed necessary or desirable by EPB (including but not limited to costs of supplies, fuel, fuel assemblies and components or interests therein), and other costs properly attributable thereto; (ii) all capital improvements or additions, including but not limited to, renewals or replacements of or repairs, additions, improvements, modifications or betterments to or for any Project; (iii) the acquisition of any other real property, capital improvements or additions, or interests therein, deemed necessary or desirable by EPB for the conduct of its business; (iv) any other purpose for which bonds, notes or other obligations of EPB may be issued under the Act (whether or not also classifiable as a Cost of Operation and Maintenance); and (v) the payment of principal, interest, and redemption, tender or Purchase Price of any (a) Obligations issued by EPB, acting with the authority of the Issuer, for the payment of any of the costs specified above, (b) any Obligations issued to refund such Obligations, or (c) Obligations issued to pay capitalized interest; provided, however, that the term Capital Costs shall not include any costs of the Issuer or EPB relating to a Separately Financed Project.

"Capital Fund" means the fund by that name established in Section 7.01 of the Resolution.

"Chief Financial Officer" means the chief financial officer of EPB.

"Code" means the Internal Revenue Code of 1986, as amended, and applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided in the Resolution or required by the context thereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of Treasury (including applicable final regulations, temporary regulations and proposed regulations), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings), and applicable court rulings.

"Commercial Paper Obligations" means all of the Obligations of a Series or a proportionate maturity thereof with a maturity of less than 271 days so designated by EPB, acting with the authority of the Issuer, by Supplemental Resolution prior to the issuance thereof.

"Compounding Date" means a date for compounding of interest on Capital Appreciation Bonds as shown on a table of Accreted Values for such Capital Appreciation Bonds.

"Contribution in Aid of Construction" means contributions to EPB by customers of EPB in consideration for Electric System improvements inuring to the benefit of said customer.

"Cost of Operation and Maintenance" means the current expenses, paid or accrued, of operation, including, without limitation, salaries, wages, cost of materials, and supplies, power at wholesale, and insurance, maintenance and ordinary, current repair of the Electric System and its facilities, and shall include, without limiting the generality of the foregoing, supplies, fuel, fuel adjustments, fuel assemblies and components required by EPB for the operation of the Electric System (including any payments made pursuant to a "take-or-pay" fuel supply or energy contract that obligates EPB to pay for fuel, fuel adjustments, energy or power regardless of whether fuel, energy or power is delivered or made available for delivery, other than any such contract or portion thereof that is designated by EPB pursuant to Article X, as either a Subordinated Contract Obligation or a Parity Contract Obligation), administrative expenses relating to the Electric System, legal and engineering expenses, consulting and technical services, payments for energy conservation and load management programs, payments relating to fuel or electricity hedging instruments, payments for employee benefits, including payments to savings, pension, retirement, health and hospitalization funds, charges payable by EPB, pursuant to any licenses, orders or mandates from any agency or regulatory body having lawful jurisdiction, and any taxes, assessments, governmental charges, fees and any other expenses required to be paid by EPB, all to the extent attributable to the Electric System; the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Resolution or under any Supplemental Resolution or pursuant to any agreement executed by the Issuer, acting through EPB; all costs and expenses associated with or arising out of the research, development (including feasibility and other studies) and/or implementation of any project, facility, system, task or measure deemed desirable or necessary by the Issuer, acting through EPB; and all other costs and expenses arising out of or in connection with the conduct of the business of the Electric System, including those expenses the payment of which is not immediately required, such as those expenses referred in Section 7.02(B). Notwithstanding the foregoing, Costs of Operation and Maintenance shall not include (i) any costs and expenses attributable to a Separately Financed Project, or (ii) any costs or expenses for new construction or for reconstruction other than restoration of any part of the Electric System to the condition of serviceability thereof when new, (iii) any payments-in-lieu of taxes or (iv) depreciation.

"Credit Facility" means a line of credit, letter of credit, standby bond purchase agreement, policy of bond insurance, surety bond, guaranty or similar credit or liquidity enhancement device or arrangement providing credit or liquidity support with respect to any Outstanding Obligations or Subordinated Indebtedness, or any agreement relating to reimbursement of advances under any such instrument.

"Current Interest Bonds" means Obligations that bear interest which is payable periodically rather than solely at the maturity of such Obligations.

"CUSIP" means a uniform securities identifying number assigned to Obligations by the CUSIP Service Bureau, or such similar identifying number system by any entity succeeding to the offering of services by CUSIP Service Bureau.

"Debt Service Requirement" means for a given Bond Year the remainder after subtracting any accrued interest paid by the purchasers of Obligations and capitalized interest for that year that has been deposited into the Electric Fund for that purpose from the sum of the principal of and interest and premium, if any, or other payments on Parity Debt coming due in such Bond Year on Obligations issued under the Resolution and any Parity Debt issued in accordance with the terms of the Resolution.

For the purpose of determining the Debt Service Requirement, if the interest rate is fixed for the duration of the applicable Bond Year, the actual interest rate shall be used. If Variable Rate Obligations are Outstanding at the time of such determination, the interest rate shall be assumed to be one hundred ten percent (110%) of the average interest rate on such Variable Rate Obligations during the twelve months ending with the month preceding the date of calculation (or such shorter period of time as such Variable Rate Obligations shall have been Outstanding). If such Variable Rate Obligations are not Outstanding on the date of such calculation, the interest rate used to calculate the Debt Service Requirement shall be 110% of the BMA Municipal Index on the date of calculation. And if the Variable Rate Obligations are Taxable Obligations, the interest rate used to calculate the Debt Service Requirement shall be the interest rate on U.S. Treasury Obligation with comparable maturities, plus 50 basis points, on the date of calculation.

If a Series of Variable Rate Obligations is subject to purchase by EPB, acting with the authority of the Issuer, pursuant to a mandatory or optional tender by the Bondholder, the "tender" date or dates shall be ignored and the stated maturity dates thereof shall be used for purposes of this calculation.

For all purposes of the Resolution, if, with respect to any Series or portion of a Series of Variable Rate Obligations, EPB, acting with the authority of the Issuer, enters into a Qualified Swap providing for payments to EPB which are included in Revenues in an amount equal to interest on a notional amount equal to the principal amount of such Obligations (which may include all or any portion of the principal amount of a Series of Variable Rate Obligations) Outstanding, based upon a fixed rate or a variable index or formula different from that used to calculate interest on such Obligations, then the effective rate of interest to EPB with respect to such Obligations taking into account (i) the actual interest rate borne by such Obligations, (ii) payments to be received by EPB pursuant to such Qualified Swap and (iii) payment obligations of EPB, to the counterparty under such Qualified Swap, all based upon interest on such notional amount as determined by reference to a fixed rate or variable index or formula, shall be used for purposes of this definition as the actual rate of interest with respect to such Obligations.

If two Series of Variable Rate Obligations, or one or more maturities within a Series, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Obligations taken as a whole, such composite fixed rate shall be used in determining the Debt Service Requirement with respect to such Obligations.

For purposes of calculating the Debt Service Requirement with respect to Designated Maturity Obligations, the unamortized principal coming due on the final maturity date thereof that EPB reasonably anticipates refinancing, as reflected in the Annual Budget, shall not be included and in lieu thereof, there shall be included in the Debt Service Requirement for the Bond Year in which such final maturity occurs only the principal amount thereof EPB reasonably anticipates to become due in such Bond Year, taking into account any such anticipated refinancing of such Designated Maturity Obligations.

For purposes of calculating the Debt Service Requirement with respect to Commercial Paper Obligations, only the interest obligations with respect to such Commercial Paper Obligations and the principal amount of the Commercial Paper Obligations EPB reasonably expects to retire and not to pay with the proceeds of roll-over Commercial Paper Obligations in such Bond Year (as reflected in the Annual Budget) shall be included in the calculation of the Debt Service Requirement. The interest rate on the Commercial Paper Obligations shall be assumed for purposes of calculating the Debt Service Requirement, to be equal to the greater of (i) 110% of the BMA Municipal Index or (ii) the actual rate on such Commercial Paper Obligations.

"Designated Maturity Obligations" means all of the Obligations of a Series or a particular maturity thereof, with a maturity longer than 270 days, so designated by EPB, acting with the authority of the Issuer, by Supplemental Resolution prior to the issuance thereof, for which no mandatory sinking fund redemption requirements have been established.

"Electric Fund" means the fund by that name established in Section 7.01 of the Resolution.

"Electric System" means the complete electric power system for the supply, transmission, distribution, and sale of electric power and energy and other electric system services now owned, in whole or in part, by Issuer and under the exclusive management and control of EPB and any leasehold or other interest in any other electric plants or facilities which the Issuer or EPB acquires, together with any and all additions, extensions and improvements thereto hereafter acquired or constructed and any joint venture or ownership or other interest in any electric plant or facility or any right to use the capacity or to receive the output from any electric plant or facility. The Electric System shall not include any Separately Financed Project, even though such Separately Financed Project may be the beneficiary or recipient of Electric System funds loaned to or invested in such Separately Financed Project.

"EPB" means the Electric Power Board, a board with exclusive authority granted to it for the management and control of the City of Chattanooga's electric power and distribution system, municipally owned by the Issuer and created by Chapter 455 of the 1935 Private Acts of the General Assembly of the State of Tennessee legislature, as from time to time amended, and adopted as provisions in the Charter of the City of Chattanooga, Tennessee.

"Exposure on Guaranteed Debt" means, with respect to the period of time for which calculated, (i) as to each Guaranteed Debt as to which EPB has not been required to make any payments under its guaranty an amount equal to twenty percent (20%) of the debt service requirement for such period (calculated in the same manner as the

Debt Service Requirement) on that Guaranteed Debt, and (ii) as to any Guaranteed Debt as to which EPB has been required to make any payments under its guaranty, an amount equal to one hundred percent (100%) of the debt service requirement for such period (calculated in the same manner as the Debt Service Requirement) on that Guaranteed Debt.

"Federal Securities" means direct non-callable obligations of the United States of America or obligations the timely payment when due of the principal of and interest on which is unconditionally guaranteed by the United States of America, to which the direct obligation or guarantee of the full faith and credit of the United States of America has been pledged, stripped interest obligations on bonds, notes, debentures and similar obligations issued by the Resolution Funding Corporation and defeased municipal bonds that have been rated in the highest Rating Category by the Rating Agencies.

"Fiduciary" or "Fiduciaries" means any trustee, Registrar or Paying Agent, or any or all of them, as may be appropriate.

"Fiscal Year" means the period commencing on July 1 of each year and ending on the succeeding June 30, or such other consecutive 12-month period as may be hereafter designated as the fiscal year of the Issuer in accordance with applicable law.

"Fund Balance" means the value of all unrestricted cash, investments and accounts receivable (less allowance for doubtful accounts) of the Electric System.

"Funds" has the meaning provided in Section 8.02 of the Resolution.

"Governing Body of Issuer" means the City Council of the Issuer.

"Future Financial Products" has the meaning provided in Section 5.02 of the Resolution.

"Guaranteed Debt" means any indebtedness or obligation for borrowed money of any Person which EPB has guaranteed to pay from Revenues of the Electric System on parity with debt service on the Obligations.

"Investment Obligations" means any obligations in which municipal funds or the funds of municipally owned electric systems may be lawfully invested.

"Issuer" means the City of Chattanooga, Tennessee.

"Net Revenues" means, for any Fiscal Year, the amount of Revenues less the Cost of Operation and Maintenance of the Electric System for such Fiscal Year.

"Obligations" means any obligations, issued in any form of debt, authorized by a Supplemental Resolution, including but not limited to, bonds, notes, bond anticipation notes, and commercial paper, which are delivered under the Resolution, but such term shall not include any Subordinated Contract Obligation or Subordinated Indebtedness.

"Outstanding" when used in reference to Obligations or Obligations of a Series, means all Obligations which have been issued pursuant to the Resolution except:

(a) Obligations cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Obligations for the payment or redemption of which cash funds or Federal Securities or any combination thereof shall have been theretofore irrevocably set aside in a special account with the Paying Agent or other Authorized Depository (whether upon or prior to the maturity or redemption date of any such Obligations) in an amount which, together with earnings on such Federal Securities, will be sufficient to pay the principal of and interest and redemption premiums, if any, on such Obligations at maturity or upon their earlier redemption; provided that, if such Obligations are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of the Resolution or irrevocable instructions directing the timely giving of such notice and directing the payment of the principal of and interest and redemption premiums, if any, on such Obligations at such redemption dates shall have been given to the Paying Agent; and

(c) Obligations which are deemed paid pursuant to Section 5.08 of the Resolution or in lieu of which other Obligations have been issued under Section 5.04 of the Resolution.

"Parity Contract Obligation" means that portion of any rates, fees, charges or payments which the EPB is contractually obligated to pay to another entity for fuel, energy or power, for the specific purpose of paying principal or interest or both on that entity's obligations directly associated with such contract and payable to such entity regardless of whether fuel, energy or power is delivered or made available for delivery which is secured by a pledge of and lien on the Trust Estate on a parity with the lien created by Section 10.04(g) of the Resolution to secure the Obligations.

"Parity Debt" means any Parity Contract Obligation, Parity Reimbursement Obligation, Parity Swap Obligation or Guaranteed Debt; provided, however, that for purposes of the definition of the term "Debt Service Requirement," Parity Debt shall with respect to Guaranteed Debt include only Exposure on Guaranteed Debt. For purposes of Section 11.05 of the Resolution, any Parity Debt shall specify, to the extent applicable, the interest and principal components of, or the scheduled payments corresponding to interest under, such Parity Debt.

"Parity Reimbursement Obligation" has the meaning provided in Section 10.04(d) of the Resolution.

"Parity Swap Obligation" means the obligation to pay any amount under a Qualified Swap calculated as interest on a notional amount (but excluding any termination payments and payments of any other fees, expenses, indemnification or other obligations to a counterparty), that is secured by a pledge of, and a lien on, the Trust Estate on a parity with the lien created by Section 6.02 to secure the Obligations.

"Paying Agent" means any Authorized Depository designated by EPB to serve as a Paying Agent or place of payment for the Obligations issued under the Resolution which shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premium, if any, with respect to the Obligations to the Bondholders thereof, from funds made available therefor by EPB and any successors designated pursuant to the Resolution.

"Person" means any natural person, firm, joint venture, association, partnership, business trust, corporation, public body, agency or political subdivision or other similar entity.

"Project" means any project, facility, system, equipment, or material related to or necessary or desirable in connection with the Electric System, whether owned jointly or singly by EPB including any output in which EPB has an interest, heretofore or hereafter authorized by the Act; provided, however, that the term "Project" shall not include any Separately Financed Project.

"Purchase Price" means, with respect to any Obligation, 100% of the principal amount thereof plus accrued interest, if any, plus in the case of an Obligation subject to mandatory tender for purchase on a date when such Obligation is also subject to optional redemption at a premium, an amount equal to the premium that would be payable on such Obligation if redeemed on such date.

"Put Bonds" has the meaning provided in Section 12.02 of the Resolution.

"Qualified Independent Consultant" means any one or more qualified and recognized independent consultants or firm of consultants (which may include, without limitation, independent accountants and engineers), having favorable repute, skill and experience with respect to the acts and duties required of a Qualified Independent Consultant by a particular section or sections of the Resolution, as shall from time to time be retained by EPB for the purposes of the Resolution.

"Qualified Swap" means, to the extent from time to time permitted by law, with respect to Obligations, any financial arrangement (i) which is entered into by EPB with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; an interest rate, forward rate or future rate swap (such swap may be based on an amount equal either to the principal amount of such Obligations of EPB as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Obligations); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, entered into by EPB for the purpose of moderating interest rate fluctuations or otherwise, and (iii) which has been designated in writing by EPB as a Qualified Swap with respect to such Obligations.

"Qualified Swap Provider" means an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims-paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt

obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims-paying ability, are rated either (i) at least as high as the third highest Rating Category of each nationally recognized securities rating agency then maintaining a rating for the Qualified Swap Provider, but in no event lower than any Rating Category designated by each such Rating Agency for the Obligations subject to such Qualified Swap, or (ii) any such lower Rating Categories which each such Rating Agency indicates in writing to EPB will not, by itself, result in a reduction or withdrawal of its rating on the Outstanding Obligations subject to such Qualified Swap that is in effect prior to entering into such Qualified Swap.

"Rating Agency" means a nationally recognized securities rating agency then maintaining a rating on the Obligations at the request of EPB.

"Rating Category" means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

"Rebate Amount" has the meaning provided in Section 12.03(1) of the Resolution.

"Redemption Price" means, with respect to any Obligation, 100% of the principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof pursuant to the Resolution.

"Registrar" means the Issuer or any agent designated from time to time by EPB by ordinance or resolution, to maintain the registration books for the Obligations of any Series issued under the Resolution or to perform other duties with respect to registering the transfer of Obligations.

"Reimbursement Obligation" has the meaning provided in Section 10.04(d) of the Resolution.

"Reserve Product" means a policy of bond insurance, a surety bond or a letter of credit or other credit facility used in lieu of a cash deposit in the Reserve Fund meeting the terms and conditions of Section 7.05 of the Resolution.

"Reserve Product Provider" means a bond insurance provider or a bank or other financial institution providing a Reserve Product, whose bond insurance policies insuring, or whose letters of credit, surety bonds or other credit facilities securing, the payment, when due, of the principal of and interest on bond issues by public entities, at the time such Reserve Product is obtained, result in such issues being rated in one of the two highest full rating categories by each of the Rating Agencies; provided, however, that nothing in the Resolution shall require EPB or Issuer to obtain a rating on any Bonds issued under the Resolution.

"Reserve Fund" means the Fund by that name established in Section 7.01 of the Resolution.

"Reserve Requirement" means the amount, or available amount under one or more Reserve Products, required to be maintained in the Reserve Fund pursuant to Section 7.05 of the Resolution.

"Revenues" means (i) all rates, fees, charges, income, rents and receipts derived from or attributable to the ownership and operation of the Electric System, including all revenues attributable to the Electric System or to the payment of the costs thereof received under any contracts for the sale of power, energy, transmission or other use of the services, facilities or products of the Electric System or any part thereof or any contractual arrangement with respect to the use of the Electric System or any portion thereof or the services, output, facilities, capacity or products of the Electric System, (ii) the proceeds of any insurance covering business interruption loss relating to the Electric System, (iii) interest received on the investment or reinvestment of any moneys held in the Electric Fund, and (iv) payments received under a Qualified Swap; provided, however, that "Revenues" shall not include proceeds from (a) the sale of any asset in excess of $1,000,000, (b) a Separately Financed Project or (c) Contributions in Aid of Construction. "Separately Financed Project" has the meaning provided in Section 10.03 of the Resolution.

"Series" means any portion of the Obligations of an issue authenticated and delivered in a single transaction, payable from an identical source of revenue and identified pursuant to a Supplemental Resolution authorizing such Obligations as a separate Series of Obligations, regardless of variations in maturity, interest rate, redemption requirements or other provisions, and any Obligations thereafter authenticated and delivered in lieu of or in substitution of a Series of Obligations issued pursuant to the Resolution.

"Subordinated Contract Obligation" means any payment obligation (other than a payment obligation constituting Parity Debt or Subordinated Indebtedness) arising under (a) any Credit Facility which has been designated in writing by EPB as constituting a "Subordinated Contract Obligation," (b) any Qualified Swap which

has been designated in writing by EPB as constituting a "Subordinated Contract Obligation," and (c) any other contract, agreement or other obligation authorized by ordinance or resolution of the Issuer and designated in writing by EPB as constituting a "Subordinated Contract Obligation." Each Subordinated Contract Obligation shall be payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in Section 7.02(A) of the Resolution, and shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate in the Resolution created for the payment of the Obligations and Parity Debt.

"Subordinated Indebtedness" means any bond, note or other indebtedness authorized by ordinance or resolution of EPB and designated in such ordinance or resolution by EPB as constituting "Subordinated Indebtedness," which shall be payable from the Trust Estate subject and subordinate to the payments to be made with respect to the Obligations and Parity Debt, as provided for in Section 7.02(A) of the Resolution, and which shall be secured by a lien on and pledge of the Trust Estate junior and inferior to the lien on and pledge of the Trust Estate in the Resolution created for the payment of the Obligations and Parity Debt.

"Supplemental Resolution" means any ordinance or resolution supplemental to or amendatory of the Resolution, enacted or adopted by EPB, acting with the authority of the Issuer, in accordance with Article XII of the Resolution.

"Taxable Obligations" means any Obligations which are not Tax-Exempt Obligations.

"Tax-Exempt Obligations" means any Obligations the interest on which is intended by EPB, acting with the authority of the Issuer, to be excluded from gross income of the owners thereof for federal income tax purposes.

"Trustee" has the meaning provided in Section 11.02 of the Resolution.

"Trust Estate" means, collectively:

i all Electric System Revenues;

ii the proceeds of sale of Obligations for Electric System purposes until expended for the purposes authorized by the Supplemental Resolution authorizing such Obligations;

iii all amounts held in the funds, accounts and subaccounts established by the Resolution derived from Electric System operations, including investment earnings thereon; and

iv all funds, moneys and securities and any and all other right and interests in property, whether tangible or intangible, from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Resolution for the Obligations by EPB or by anyone on its behalf, or with its written consent; provided, however, Trust Estate does not include any Separately Financed Project or any revenues related thereto.

"Variable Rate Obligations" means Obligations issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the remaining term thereof.

APPENDIX E

ELECTRIC POWER BOARD OF THE CITY OF CHATTANOOGA

PROPOSED FORM OF OPINIONS OF BOND COUNSEL

(Form of Opinion for Series 2015A Bonds)

_____, 2015

The Honorable Mayor and Members
of the City Council of the
City of Chattanooga
Chattanooga, Tennessee

Ladies and Gentlemen:

We have examined a certified transcript of the proceedings of your City Council (the "City Council") and other proofs submitted to us, regarding the issuance and sale of the following described Bonds (the "2015 A Bonds").

$_____
CITY OF CHATTANOOGA, TENNESSEE
ELECTRIC SYSTEM REFUNDING REVENUE BONDS
SERIES 2015 A

Dated: _____, 2015

The 2015 A Bonds are scheduled to mature on September 1, in the years and amounts and bear interest, payable on March 1, 2016 and semi-annually thereafter on March 1 and September 1, at the rates, as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate

The 2015 A Bonds are being issued as fully registered bonds in any integral multiple of $5,000. Principal will be payable at the corporate office of _____, the registrar and paying agent for the 2015 A Bonds (the "Registrar and Paying Agent"). Interest will be paid by check or draft mailed to the registered owner thereof on each interest payment date at his address as shown on the registration books of the City of Chattanooga, Tennessee (the "City") kept for that purpose at the office of the Registrar and Paying Agent (the "Registration Books"), as of the close of business on the fifteenth business day of the calendar month immediately preceding each such interest payment date (the "Record Date"). The 2015 A Bonds may be transferred or exchanged at any time prior to maturity in authorized denominations in the same aggregate principal amount at the office of the Registrar and Paying Agent, provided, however, that the Registrar and Paying Agent shall not be required to (a) transfer or exchange 2015 A Bonds during a period commencing on a Record Date and ending on an interest payment date, or (b) transfer or exchange 2015 A Bonds called for redemption.

We have also examined one of the Electric System Refunding Revenue Bonds, Series 2015 A (Bond No. R-1).

The 2015 A Bonds are issued pursuant to Sections 7-34-101 to 7-34-118, both inclusive, and 9-21-1001 to 9-21-1017, both inclusive, Tennessee Code Annotated (the "Act"), and other applicable statutes, and pursuant to Resolution No. 22629 of the City Council entitled "A Resolution Authorizing the Issuance of Electric System Revenue Bonds of the City for the Use and Benefit of the Electric Power Board of Chattanooga . . .", duly adopted by the City Council on September 5, 2000 as adopted, supplemented and amended heretofore (the "Authorizing Resolution"), as further supplemented by the Fifth Supplemental Electric System Revenue Bond Resolution adopted by the City Council on _____, 2015 (the "Series Resolution") and an Awarding Certificate dated _____, 2015 (the "Awarding Certificate," and together with the Authorizing Resolution and the Series Resolution, the "Resolution"). Any capitalized terms not otherwise defined herein shall have the meanings ascribed thereto by the Resolution.

We have reviewed the Resolution, tax agreements of the City and the Electric Power Board of the City (the "EPB") (collectively, the "Tax Agreements"), and such matters of law and fact as we deemed necessary to enable us to render this opinion. Except as expressly stated hereinafter, we have assumed due authorization, execution and delivery by the parties of such documents and the valid and binding nature thereof with respect to such parties.

We are of the opinion that (i) the Resolution is in full force and effect and is valid and binding upon the City in accordance with its terms and (ii) the 2015 A Bonds are valid and legally binding limited obligations of the City issued pursuant to the Resolution and payable solely from, and secured under the Resolution by, a pledge of the Revenues of the Electric System of the City on a parity with the outstanding Electric System Revenue Bonds, Series 2000, Series 2006 A, Series 2006 B, Series 2015 B and Series 2015 C of the City. In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the 2015 A Bonds and the Resolution (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors and (ii) is subject to principles of equity in the event that equitable remedies are sought.

The City has covenanted in the Resolution that it will not use the proceeds of the Bonds in such a manner or take or omit to take any actions, which would cause the 2015 A Bonds to be subject to federal income taxation. In the Resolution, the EPB has also covenanted that it has not taken or permitted and will not take or permit any action which results in interest paid on the 2015 A Bonds being includable in the gross income of the owners of the 2015 A Bonds for purposes of federal income taxation. The opinions herein are expressed only on and as of the date hereof, and are based on existing laws, regulations, rulings, judicial decisions and other authorities, as in effect on the date hereof ("Existing Law"). Changes to Existing Law may occur hereafter, and could have retroactive effect. The opinions herein do not address the effect, if any, of such subsequent changes. The opinions herein also do not address the effect, if any, of actions taken or omitted or events occurring after the date hereof, differing from those reflected in the Tax Agreements. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur. We have assumed compliance with the aforementioned covenants. In addition, we have relied on the material accuracy of statements of fact and expectation set forth in the Tax Agreements, which we have made no effort independently to verify.

For purposes of rendering this opinion we have reviewed the Internal Revenue Code of 1986, as amended (the "Code") and such other authorities and matters as we have deemed necessary for purposes herein. We have also reviewed and relied upon certain letters of representation and certificates of EPB provided with respect to the 2015 A Bonds relating to the use of the proceeds of the 2015 A Bonds. A failure to comply with such covenants, the material inaccuracy of such representations or the occurrence (or non-occurrence) of certain events could adversely affect any exclusion from gross income of interest on the 2015 A Bonds for Federal income tax purposes.

The Resolution provides that certain actions may not be taken (or omitted) unless there shall have been delivered the opinion of bond counsel to the effect that such actions will not adversely affect the exclusion of the interest on the 2015 A Bonds from gross income for purposes of federal income taxation. We express no opinion herein on the effect, if any (on the exclusion of interest on the 2015 A Bonds from the gross income of the owners thereof), of taking any such actions (or omitting to do so), or of effecting any other changes concerning the 2015 A Bonds, including the use of the proceeds thereof, if such action is taken, omitted or effected upon the advice or approval of any bond counsel other than ourselves.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2015 A Bonds in order for interest thereon to be and remain excluded from the gross income of the owners thereof for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2015 A Bonds to be included in the gross income of the owners thereof for Federal income tax purposes retroactive to the date of issuance of the Bonds. The City and the EPB have covenanted in the Resolution, as described above, to maintain the exclusion of the interest on the 2015 A Bonds from the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103(a) of the Code.

Based on and subject to the foregoing, under Existing Law, we are of the following opinions:

(i) Under existing law, interest on the 2015 A Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the Code, interest on the 2015 A Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the 2015 A Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the 2015 A Bonds is includable in adjusted current earnings when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

(ii) Pursuant to the Act, the 2015 A Bonds and income therefrom are exempt from all taxation imposed by the State of Tennessee or by any county or municipality therein except for inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes.

We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2015 A Bonds.

Very truly yours,

Katten Muchin Rosenman LLP

(Form of Opinion for Series 2015B Bonds)

_____, 2015

The Honorable Mayor and Members
of the City Council of the
City of Chattanooga
Chattanooga, Tennessee

Ladies and Gentlemen:

We have examined a certified transcript of the proceedings of your City Council (the "City Council") and other proofs submitted to us, regarding the issuance and sale of the following described Bonds (the "2015 A Bonds").

$_____
CITY OF CHATTANOOGA, TENNESSEE
ELECTRIC SYSTEM REFUNDING REVENUE BONDS
SERIES 2015 B (Taxable)

Dated: _____, 2015

The 2015 B Bonds are scheduled to mature on September 1, in the years and amounts and bear interest, payable on March 1, 2016 and semi-annually thereafter on March 1 and September 1, at the rates, as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate

The 2015 B Bonds are being issued as fully registered bonds in any integral multiple of $5,000. Principal will be payable at the corporate office of _____, the registrar and paying agent for the 2015 B Bonds (the "Registrar and Paying Agent"). Interest will be paid by check or draft mailed to the registered owner thereof on each interest payment date at his address as shown on the registration books of the City of Chattanooga, Tennessee (the "City") kept for that purpose at the office of the Registrar and Paying Agent (the "Registration Books"), as of the close of business on the fifteenth business day of the calendar month immediately preceding each such interest payment date (the "Record Date"). The 2015 B Bonds may be transferred or exchanged at any time prior to maturity in authorized denominations in the same aggregate principal amount at the office of the Registrar and Paying Agent, provided, however, that the Registrar and Paying Agent shall not be required to (a) transfer or exchange 2015 B Bonds during a period commencing on a Record Date and ending on an interest payment date, or (b) transfer or exchange 2015 A Bonds called for redemption.

We have also examined one of the Electric System Refunding Revenue Bonds, Series 2015 B (Taxable) (Bond No. R-1).

The 2015 B Bonds are issued pursuant to Sections 7-34-101 to 7-34-118, both inclusive, and 9-21-1001 to 9-21-1017, both inclusive, Tennessee Code Annotated (the "Act"), and other applicable statutes, and pursuant to

Resolution No. 22629 of the City Council entitled "A Resolution Authorizing the Issuance of Electric System Revenue Bonds of the City for the Use and Benefit of the Electric Power Board of Chattanooga . . .", duly adopted by the City Council on September 5, 2000 as adopted, supplemented and amended heretofore (the "Authorizing Resolution"), as further supplemented by the Fifth Supplemental Electric System Revenue Bond Resolution adopted by the City Council on _____, 2015 (the "Series Resolution") and an Awarding Certificate dated _____, 2015 (the "Awarding Certificate," and together with the Authorizing Resolution and the Series Resolution, the "Resolution"). Any capitalized terms not otherwise defined herein shall have the meanings ascribed thereto by the Resolution.

We have reviewed the Resolution and such matters of law and fact as we deemed necessary to enable us to render this opinion. Except as expressly stated hereinafter, we have assumed due authorization, execution and delivery by the parties of such documents and the valid and binding nature thereof with respect to such parties.

We are of the opinion that (i) the Resolution is in full force and effect and is valid and binding upon the City in accordance with its terms and (ii) the 2015 B Bonds are valid and legally binding limited obligations of the City issued pursuant to the Resolution and payable solely from, and secured under the Resolution by, a pledge of the Revenues of the Electric System of the City on a parity with the outstanding Electric System Revenue Bonds, Series 2000, Series 2006 A, Series 2006 B, Series 2015 A and Series 2015 C of the City. In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the 2015 B Bonds and the Resolution (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors and (ii) is subject to principles of equity in the event that equitable remedies are sought.

We are further of the opinion that, pursuant to the Act, the 2015 B Bonds and income therefrom are exempt from all taxation imposed by the State of Tennessee or by any county or municipality therein except for inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes.

We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2015 B Bonds.

Very truly yours,

Katten Muchin Rosenman LLP

(Form of Opinion for Series 2015C Bonds)

_____, 2015

The Honorable Mayor and Members
of the City Council of the
City of Chattanooga
Chattanooga, Tennessee

Ladies and Gentlemen:

We have examined a certified transcript of the proceedings of your City Council (the "City Council") and other proofs submitted to us, regarding the issuance and sale of the following described Bonds (the "2015 C Bonds").

$_____
CITY OF CHATTANOOGA, TENNESSEE
ELECTRIC SYSTEM REVENUE BONDS
SERIES 2015 C

Dated: _____, 2015

The 2015 C Bonds are scheduled to mature on September 1, in the years and amounts and bear interest, payable on March 1, 2016 and semi-annually thereafter on March 1 and September 1, at the rates, as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate

The 2015 C Bonds are being issued as fully registered bonds in any integral multiple of $5,000. Principal will be payable at the corporate office of _____, the registrar and paying agent for the 2015 C Bonds (the "Registrar and Paying Agent"). Interest will be paid by check or draft mailed to the registered owner thereof on each interest payment date at his address as shown on the registration books of the City of Chattanooga, Tennessee (the "City") kept for that purpose at the office of the Registrar and Paying Agent (the "Registration Books"), as of the close of business on the fifteenth business day of the calendar month immediately preceding each such interest payment date (the "Record Date"). The 2015 C Bonds may be transferred or exchanged at any time prior to maturity in authorized denominations in the same aggregate principal amount at the office of the Registrar and Paying Agent, provided, however, that the Registrar and Paying Agent shall not be required to (a) transfer or exchange 2015 C Bonds during a period commencing on a Record Date and ending on an interest payment date, or (b) transfer or exchange 2015 C Bonds called for redemption.

We have also examined one of the Electric System Refunding Revenue Bonds, Series 2015 C (Bond No. R-1).

The 2015 C Bonds are issued pursuant to Sections 7-34-101 to 7-34-118, both inclusive, and 9-21-1001 to 9-21-1017, both inclusive, Tennessee Code Annotated (the "Act"), and other applicable statutes, and pursuant to Resolution No. 22629 of the City Council entitled "A Resolution Authorizing the Issuance of Electric System Revenue Bonds of the City for the Use and Benefit of the Electric Power Board of Chattanooga . . .", duly adopted by the City Council on September 5, 2000 as adopted, supplemented and amended heretofore (the "Authorizing Resolution"), as further supplemented by the Sixth Supplemental Electric System Revenue Bond Resolution adopted by the City Council on _____, 2015 (the "Series Resolution") and an Awarding Certificate dated _____, 2015 (the "Awarding Certificate," and together with the Authorizing Resolution and the Series Resolution, the "Resolution"). Any capitalized terms not otherwise defined herein shall have the meanings ascribed thereto by the Resolution.

We have reviewed the Resolution, tax agreements of the City and the Electric Power Board of the City (the "EPB") (collectively, the "Tax Agreements"), and such matters of law and fact as we deemed necessary to enable us to render this opinion. Except as expressly stated hereinafter, we have assumed due authorization, execution and delivery by the parties of such documents and the valid and binding nature thereof with respect to such parties.

We are of the opinion that (i) the Resolution is in full force and effect and is valid and binding upon the City in accordance with its terms and (ii) the 2015 C Bonds are valid and legally binding limited obligations of the City issued pursuant to the Resolution and payable solely from, and secured under the Resolution by, a pledge of the Revenues of the Electric System of the City on a parity with the outstanding Electric System Revenue Bonds, Series 2000, Series 2006 A, Series 2006 B, Series 2015 A and Series 2015 B of the City. In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the 2015 C Bonds and the Resolution (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought.

The City has covenanted in the Resolution that it will not use the proceeds of the Bonds in such a manner or take or omit to take any actions, which would cause the 2015 C Bonds to be subject to federal income taxation. In the Resolution, the EPB has also covenanted that it has not taken or permitted and will not take or permit any action which results in interest paid on the 2015 C Bonds being includable in the gross income of the owners of the 2015 C Bonds for purposes of federal income taxation. The opinions herein are expressed only on and as of the date hereof, and are based on existing laws, regulations, rulings, judicial decisions and other authorities, as in effect on the date hereof ("Existing Law"). Changes to Existing Law may occur hereafter, and could have retroactive effect. The opinions herein do not address the effect, if any, of such subsequent changes. The opinions herein also do not address the effect, if any, of actions taken or omitted or events occurring after the date hereof, differing from those reflected in the Tax Agreements. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or occur. We have assumed compliance with the aforementioned covenants. In addition, we have relied on the material accuracy of statements of fact and expectation set forth in the Tax Agreements, which we have made no effort independently to verify.

For purposes of rendering this opinion we have reviewed the Internal Revenue Code of 1986, as amended (the "Code") and such other authorities and matters as we have deemed necessary for purposes herein. We have also reviewed and relied upon certain letters of representation and certificates of EPB provided with respect to the 2015 C Bonds relating to the use of the proceeds of the 2015 C Bonds. A failure to comply with such covenants, the material inaccuracy of such representations or the occurrence (or non-occurrence) of certain events could adversely affect any exclusion from gross income of interest on the 2015 C Bonds for Federal income tax purposes.

The Resolution provides that certain actions may not be taken (or omitted) unless there shall have been delivered the opinion of bond counsel to the effect that such actions will not adversely affect the exclusion of the interest on the 2015 C Bonds from gross income for purposes of federal income taxation. We express no opinion herein on the effect, if any (on the exclusion of interest on the 2015 C Bonds from the gross income of the owners thereof), of taking any such actions (or omitting to do so), or of effecting any other changes concerning the 2015 C Bonds, including the use of the proceeds thereof, if such action is taken, omitted or effected upon the advice or approval of any bond counsel other than ourselves.

The Code sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2015 C Bonds in order for interest thereon to be and remain excluded from the gross income of the owners thereof

for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2015 C Bonds to be included in the gross income of the owners thereof for Federal income tax purposes retroactive to the date of issuance of the Bonds. The City and the EPB have covenanted in the Resolution, as described above, to maintain the exclusion of the interest on the 2015 C Bonds from the gross income of the owners thereof for Federal income tax purposes pursuant to Section 103(a) of the Code.

Based on and subject to the foregoing, under Existing Law, we are of the following opinions:

(i) Under existing law, interest on the 2015 C Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes. If there is continuing compliance with the requirements of the Code, we are of the opinion that interest on the 2015 C Bonds will continue to be excluded from the gross income of the owners thereof for Federal income tax purposes. We are further of the opinion that the Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code. Accordingly, interest on the 2015 C Bonds is not an item of tax preference for purposes of computing individual or corporate alternative minimum taxable income. However, interest on the 2015 C Bonds is includable in adjusted current earnings when computing corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax.

(ii) Pursuant to the Act, the 2015 C Bonds and income therefrom are exempt from all taxation imposed by the State of Tennessee or by any county or municipality therein except for inheritance, transfer and estate taxes, and Tennessee franchise and excise taxes.

We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2015 C Bonds.

Very truly yours,

Katten Muchin Rosenman LLP

APPENDIX F

ELECTRIC POWER BOARD OF THE CITY OF CHATTANOOGA

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

[Proposed Form of Continuing Disclosure Agreement]

CITY OF CHATTANOOGA, TENNESSEE

$_____ ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2015A
$_____ ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2015B (TAXABLE)
$_____ ELECTRIC SYSTEM REVENUE BONDS, SERIES 2015C

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Electric Power Board of the City of Chattanooga ("EPB") in connection with the issuance by the City of Chattanooga, Tennessee (the "Issuer") of the captioned bonds (the "Series 2015 Bonds"). The Series 2015 Bonds are being issued pursuant to a resolution adopted by the City Council, including Resolution No. 22629, duly adopted September 5, 2000, as heretofore supplemented and amended, and as amended and supplemented by the Fifth Supplemental Electric System Revneue Bond Resolution and Sixth Supplemental Electric System Revenue Bond Resolution each adopted on _____, 2015, and as further supplemented by Awarding Resolutions adopted on _____, 2015 (collectively, the "Resolution"), authorizing the issuance of the Series 2015 Bonds and vesting responsibility for compliance with this Agreement in EPB. EPB on behalf of the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by EPB on behalf of the Issuer for the benefit of the Bondholders and Beneficial Owners of the Series 2015 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings.

"Annual Report" shall mean any Annual Report provided by EPB pursuant to, and as described in Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2015 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean any dissemination agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board, and all required filings with the MSRB shall be made electronically with the MSRB at emma.msrb.org.

"Official Statement" shall mean the Official Statement dated _____, 2015 relating to the Series 2015 Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2015 Bonds required to comply with the Rule in connection with offering of the Series 2015 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Tennessee.

"State Depository" shall mean any public or private depository or entity designated by the State of Tennessee as a state depository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Depository.

SECTION 3. Provision of Annual Reports.

(a) EPB shall, or shall cause the Dissemination Agent to, within 180 days after the end of each fiscal year commencing with the fiscal year ending June 30, 2015, file with the MSRB and any State Depository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date.

(b) If EPB is unable to provide to the Repositories an Annual Report by the date required in subsection (a), EPB shall file a notice with the MSRB and any State Depository and to the Issuer in substantially the form attached as Exhibit A.

(c) EPB or the Dissemination Agent, if any, shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of any State Repository; and

(ii) (if the Dissemination Agent is other than EPB) file a report with the Issuer and EPB certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing any State Depository to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the audited financial statements of EPB for the prior fiscal year, prepared in accordance with generally accepted accounting principles; provided; however, if EBP's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The Annual Report shall also include in a similar format, as such format shall be determined by EPB, the statistical information included in the Official Statement under the heading "FINANCIAL INFORMATION".

Any or all of the items listed above may be incorporated by specific reference to other documents, including official statement of debt issues of the Issuer on behalf of EPB or related public entities, which have been submitted to the State Depository and the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. EPB shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015 Bonds or other material events affecting the tax status of the Series 2015 Bonds;

(vii) Modifications to rights of holders of the Series 2015 Bonds, if material;

(viii) Series 2015 Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of 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; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of any of the above Listed Events, EPB shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such Listed Event, file a notice of such occurrence with the MSRB and the State Depository, if any.

(c) For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, EPB shall determine the materiality of such event as soon as possible after learning of its occurrence.

SECTION 6. Termination of Reporting Obligation. EPB's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2015 Bonds. If termination occurs prior to the final maturity of the Series 2015 Bonds, EFB shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. EPB, with the consent of the Issuer, or the Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Agreement, EPB may amend the Disclosure Agreement, and any provision of the Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2015 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2015 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2015 Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Series 2015 Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, EPB shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by EPB. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent EPB from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If EPB chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, EPB shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of EPB to comply with any provision of this Disclosure Agreement, any Bondholder or Beneficial Owner of the Series 2015 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause EPB to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of EPB to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by law, EPB agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of EPB under this Section shall survive resignation or removal of the Dissemination Agent, if any, and payment of the Series 2015 Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, EPB, the Dissemination Agent, if any, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2015 Bonds and shall create no rights in any other person or entity.

Date: _____, 2015

ELECTRIC POWER BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

By: _____
Title:

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Chattanooga, Tennessee

Name of Bonds: Electric System Refunding Revenue Bonds, Series 2015A
Electric System Refunding Revenue Bonds, Series 2015B (Taxable)
Electric System Revenue Bonds, Series 2015C

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the Electric Power Board of the City of Chattanooga ("EPB") has not provided an Annual Report with respect to the above-named Bonds as required by Resolution No. 22629, duly adopted September 5, 2000, as heretofore supplemented and amended, and as amended and supplemented by Resolution No. ___, adopted on _____, 2015, and as further supplemented by an Awarding Resolution No. ____, adopted on _____, 2015 (collectively, the "Bond Resolution"). EPB anticipates that the Annual Report will be filed by _____.

Dated: _____

ELECTRIC POWER BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

By: _____

APPENDIX G

INFORMATION REGARDING THE DEPOSITORY TRUST COMPANY

The following information is based solely on information provided by DTC, a source the City and EPB believe to be reliable. Parties other than DTC cannot, however, guarantee the ultimate completeness or accuracy of the information. There can be no assurance that DTC will abide by the procedures described below or that such procedures will not be changed from time to time.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has S&P's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of a Series 2015 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or another name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or another DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2015 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2015 Bond documents. For example, Beneficial Owners of Series 2015 Bonds

may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices are to be sent to DTC. If less than all of the Series 2015 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other nominee) will consent or vote with respect to the Series 2015 Bonds, unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to issuers, such as the Development Bank, as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from issuers, such as the City, or paying agents, such as the Registration Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of that Participant and not of DTC (nor its nominee), the City, or the Registration Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registration Agent, disbursement of the payments to the Direct Participants will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds by giving reasonable notice to the City and the Registration Agent. Under those circumstances, in the event that a successor securities depository is not obtained, Series 2015 Bond certificates are required to be printed and delivered to DTC.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2015 Bond certificates will be printed and delivered.

NEITHER THE CITY, EPB NOR THE REGISTRATION AGENT NOR THE UNDERWRITERS (OTHER THAN IN THEIR CAPACITY, IF ANY, AS A DIRECT PARTICIPANT OR AN INDIRECT PARTICIPANT) WILL HAVE ANY OBLIGATION TO THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO DTC'S PROCEDURES OR ANY PROCEDURES OR ARRANGEMENTS BETWEEN DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS AND BENEFICIAL OWNERS.

NEITHER THE CITY, EPB NOR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON SERIES 2015 BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS OR OWNERS OF SERIES 2015 BONDS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF SERIES 2015 BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF SERIES 2015 BONDS.

APPENDIX H

ELECTRIC SYSTEM RATE SCHEUDLE

Customer Rate Class	Charge Type	Monthly Rate
Residential	Customer Charge	$9.36
	Usage Charge (per kWh)	$0.07666*
Residential Time of Use (TOU)	Customer Charge	$9.36
	Summer Usage Charge (per kWh)	
	Onpeak	$0.14440*
	Offpeak	$0.06529*
	Non Summer Usage Charge (per kWh)	
	Onpeak	$0.14440*
	Offpeak	$0.06529*
Small Commercial (GSA1)		
Demand of 50 kW or less		
Metered Accounts	Customer Charge	$15.90
	Usage Charge (per kWh)	$0.08887*
Non-Metered Accounts	Customer Charge	$2.94
	Usage Charge (per kWh)	$0.08887*
	Seasonal Usage Charge (per kWh)	$0.09917*
Commercial (GSA2)	Customer Charge	$15.90
Demand greater than 50 kW,	Demand Charge above 50 kW (per kW)	$14.99
but not more than 1,000 kW	Usage Charge (per kWh) – 1st 15,000 kWh	$0.08887*
	Usage Charge (per kWh) – above 15,000 kWh	$0.03727*
	Seasonal Demand Charge above 50 kW (not to exceed 1,000 kW), (per kW)	$18.08
	Seasonal Usage Charge (per kWh) – up to 15,000 kWh	$0.09917*
Commercial/Manufacturing (GSA3)	Customer Charge	$190.63
Demand greater than 1,000 kW,	Demand Charge for the first 1,000 kW (per kW)	$14.86
but not more than 5,000 kW	Demand Charge above 1,000 kW (per kW)	$17.15
	Usage Charge (per kWh)	$0.03727*
	SIC codes 20 – 39 receive a Manufacturing Credit	
	Seasonal Demand Charge, first 1,000 kW (per kW)	$17.95
	Seasonal Demand Charge, 1,000 – 2,500 kW (not to exceed 2,500 kW) (per kW)	$20.24
TDHUD Commercial (TDGSA)	Customer Charge	$1560.00
Demand greater than 1,000 kW,	Administration Charge	$350.00
but not more than 5,000 kW	Summer Demand Charge(per kW)	
	Onpeak	$17.49
	Offpeak	$4.39
	Winter Demand Charge (per kW)	
	Onpeak	$10.02
	Offpeak	$4.39
	Transition Demand Charge (per kW)	
	Offpeak	$4.39
	Summer Usage Charge (per kWh)	
	Onpeak	$0.07777*
	Offpeak First 425 Hours	$0.04125*
	Offpeak next 195 Hours	$0.02160*
	Offpeak Excess of 620 Hours	$0.00491*
	Winter Usage Charge (per kWh)	

Customer Rate Class	Charge Type	Monthly Rate
	Onpeak	$0.04549*
	Offpeak First 425 Hours	$0.04125*
	Offpeak next 195 Hours	$0.02160*
	Offpeak Excess of 620 Hours	$0.00491*
	Transition Usage Charge (per kWh)	
	Offpeak First 425 Hours	$0.04125*
	Offpeak next 195 Hours	$0.02160*
	Offpeak Excess of 620 Hours	$0.00491*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36
Large Commercial (GSB) Demand greater than 5,000 kW but not more than 15,000 kW	Customer Charge	$1560.00
	Administration Charge	$350.00
	Summer Demand Charge(per kW)	
	Onpeak	$17.49
	Offpeak	$4.39
	Winter Demand Charge (per kW)	
	Onpeak	$10.02
	Offpeak	$4.39
	Transition Demand Charge (per kW)	
	Offpeak	$4.39
	Summer Usage Charge (per kWh)	
	Onpeak	$0.07777*
	Offpeak First 425 Hours	$0.04125*
	Offpeak next 195 Hours	$0.02160*
	Offpeak Excess of 620 Hours	$0.00491*
	Winter Usage Charge (per kWh)	
	Onpeak	$0.04549*
	Offpeak First 425 Hours	$0.04125*
	Offpeak next 195 Hours	$0.02160*
	Offpeak Excess of 620 Hours	$0.00491*
	Transition Usage Charge (per kWh)	
	Offpeak First 425 Hours	$0.04125*
	Offpeak next 195 Hours	$0.02160*
	Offpeak Excess of 620 Hours	$0.00491*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36
Very Large Commercial (GSC) Demand greater than 15,000 kW but not more than 25,000 kW	Customer Charge	$1560.00
	Administration Charge	$350.00
	Summer Demand Charge (per kW)	
	Onpeak	$17.16
	Offpeak	$4.06
	Winter Demand Charge (per kW)	
	Onpeak	$9.69
	Offpeak	$4.06
	Transition Demand Charge (per kW)	
	Offpeak	$4.06
	Summer Usage Charge (per kWh)	
	Onpeak	$0.07398*
	Offpeak First 425 Hours	$0.03850*
	Offpeak next 195 Hours	$0.01883*
	Offpeak Excess of 620 Hours	$0.00215*
	Winter Usage Charge (per kWh)	
	Onpeak	$0.04248*
	Offpeak First 425 Hours	$0.03850*

Customer Rate Class	Charge Type	Monthly Rate
	Offpeak next 195 Hours	$0.01883*
	Offpeak Excess of 620 Hours	$0.00215*
	Transition Usage Charge (per kWh)	
	Offpeak First 425 Hours	$0.03850*
	Offpeak next 195 Hours	$0.01883*
	Offpeak Excess of 620 Hours	$0.00215*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36
Extra Large Commercial (GSD) Demand greater than 25,000 kW	Customer Charge	$1560.00
	Administration Charge	$350.00
	Summer Demand Charge (per kW)	
	Onpeak	$17.27
	Offpeak	$4.17
	Winter Demand Charge (per kW)	
	Onpeak	$9.80
	Offpeak	$4.17
	Transition Demand Charge (per kW)	
	Offpeak	$4.17
	Summer Usage Charge (per kWh)	
	Onpeak	$0.07210*
	Offpeak First 425 Hours	$0.03552*
	Offpeak next 195 Hours	$0.01585*
	Offpeak Excess of 620 Hours	-$0.00083*
	Winter Usage Charge (per kWh)	
	Onpeak	$0.03970*
	Offpeak First 425 Hours	$0.03552*
	Offpeak next 195 Hours	$0.01585*
	Offpeak Excess of 620 Hours	-$0.00083*
	Transition Usage Charge (per kWh)	
	Offpeak First 425 Hours	$0.03552*
	Offpeak next 195 Hours	$0.01585*
	Offpeak Excess of 620 Hours	-$0.00083*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36
TDHUD Manufacturing (TDMSA) Demand greater than 1,000 kW but not more than 5,000 kW (SIC Codes 20-39)	Customer Charge	$1560.00
	Administration Charge	$350.00
	Summer Demand Charge (per kW)	
	Onpeak	$17.39
	Offpeak	$4.29
	Winter Demand Charge (per kW)	
	Onpeak	$9.92
	Offpeak	$4.29
	Transition Demand Charge (per kW)	
	Offpeak	$4.29
	Summer Usage Charge (per kWh)	
	Onpeak	$0.06154*
	Offpeak First 425 Hours	$0.02542*
	Offpeak next 195 Hours	$0.00577*
	Offpeak Excess of 620 Hours	-$0.01091*
	Winter Usage Charge (per kWh)	
	Onpeak	$0.02991*
	Offpeak First 425 Hours	$0.02542*
	Offpeak next 195 Hours	$0.00577*

Customer Rate Class	Charge Type		Monthly Rate
		Offpeak Excess of 620 Hours	-$0.01091*
	Transition Usage Charge (per kWh)		
		Offpeak First 425 Hours	$0.02542*
		Offpeak next 195 Hours	$0.00577*
		Offpeak Excess of 620 Hours	-$0.01091*
	Facilities Rental Charge at 12 kV		
	First 10,000 kW of Demand		$0.93
	Over 10,000 kW of Demand		$0.73
	Facilities Rental Charge at 46 kV		$0.36
Large Manufacturing (MSB) Demand greater than 5,000 kW but not more than 15,000 kW (SIC Codes 20-39)	Customer Charge		$1560.00
	Administration Charge		$350.00
	Summer Demand Charge (per kW)		
		Onpeak	$17.39
		Offpeak	$4.29
	Winter Demand Charge (per kW)		
		Onpeak	$9.92
		Offpeak	$4.29
	Transition Demand Charge (per kW)		
		Offpeak	$4.29
	Summer Usage Charge (per kWh)		
		Onpeak	$0.06154*
		Offpeak First 425 Hours	$0.02542*
		Offpeak next 195 Hours	$0.00577*
		Offpeak Excess of 620 Hours	-$0.01091*
	Winter Usage Charge (per kWh)		
		Onpeak	$0.02991*
		Offpeak First 425 Hours	$0.02542*
		Offpeak next 195 Hours	$0.00577*
		Offpeak Excess of 620 Hours	-$0.01091*
	Transition Usage Charge (per kWh)		
		Offpeak First 425 Hours	$0.02542*
		Offpeak next 195 Hours	$0.00577*
		Offpeak Excess of 620 Hours	-$0.01091*
	Facilities Rental Charge at 12 kV		
	First 10,000 kW of Demand		$0.93
	Over 10,000 kW of Demand		$0.73
	Facilities Rental Charge at 46 kV		$0.36
Very Large Manufacturing (MSC) Demand greater than 15,000 kW but not more than 25,000 kW (SIC Codes 20-39)	Customer Charge		$1560.00
	Administration Charge		$350.00
	Summer Demand Charge (per kW)		
		Onpeak	$17.07
		Offpeak	$3.97
	Winter Demand Charge (per kW)		
		Onpeak	$9.60
		Offpeak	$3.97
	Transition Demand Charge(per kW)		
		Offpeak	$3.97
	Summer Usage Charge (per kWh)		
		Onpeak	$0.06240*
		Offpeak First 425 Hours	$0.02528*
		Offpeak next 195 Hours	$0.00563*
		Offpeak Excess of 620 Hours	-$0.01105*
	Winter Usage Charge (per kWh)		
		Onpeak	$0.03006*
		Offpeak First 425 Hours	$0.02528*
		Offpeak next 195 Hours	$0.00563*
		Offpeak Excess of 620 Hours	-$0.01105*
	Transition Usage Charge (per kWh)		

Customer Rate Class	Charge Type	Monthly Rate
	Offpeak First 425 Hours	$0.02528*
	Offpeak next 195 Hours	$0.00563*
	Offpeak Excess of 620 Hours	-$0.01105*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36
Extra Large Manufacturing (MSD) Demand greater than 25,000 kW (SIC Codes 20-39)	Customer Charge	$1560.00
	Administration Charge	$350.00
	Summer Demand Charge (per kW)	
	Onpeak	$17.15
	Offpeak	$4.05
	Winter Demand Charge (per kW)	
	Onpeak	$9.68
	Offpeak	$4.05
	Transition Demand Charge (per kW)	
	Offpeak	$4.05
	Summer Usage Charge (per kWh)	
	Onpeak	$0.06041*
	Offpeak First 425 Hours	$0.02333*
	Offpeak next 195 Hours	$0.00367*
	Offpeak Excess of 620 Hours	-$0.01301*
	Winter Usage Charge (per kWh)	
	Onpeak	$0.02790*
	Offpeak First 425 Hours	$0.02333*
	Offpeak next 195 Hours	$0.00367*
	Offpeak Excess of 620 Hours	-$0.01301*
	Transition Usage Charge (per kWh)	
	Offpeak First 425 Hours	$0.02333*
	Offpeak next 195 Hours	$0.00367*
	Offpeak Excess of 620 Hours	-$0.01301*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36
Seasonal Large Commercial (SGSB) Demand greater than 5,000 kW but not more than 15,000 kW	Customer Charge	$1560.00
	Administration Charge	$350.00
	Demand Charge (per kW)	
	Summer	$22.95
	Winter	$16.29
	Transition	$11.28
	Usage Charge (per kWh)	
	Summer	$0.02817*
	Winter	$0.02385*
	Transition	$0.02288*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36
Seasonal Very Large Commercial (SGSC) Demand greater than 15,000 kW but not more than 25,000 kW	Customer Charge	$1560.00
	Administration Charge	$350.00
	Demand Charge (per kW)	
	Summer	$22.62
	Winter	$15.96
	Transition	$10.95

Customer Rate Class	Charge Type	Monthly Rate
	Usage Charge (per kWh)	
	Summer	$0.02830*
	Winter	$0.02389*
	Transition	$0.02296*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36
Seasonal Extra Large Commercial (SGSD) Demand greater than 25,000 kW	Customer Charge	$1560.00
	Administration Charge	$350.00
	Demand Charge (per kW)	
	Summer	$26.49
	Winter	$19.82
	Transition	$14.82
	Usage Charge (per kWh)	
	Summer	$0.02059*
	Winter	$0.01674*
	Transition	$0.01589*
	Facilities Rental Charge at 12 kV	$0.93
	First 10,000 kW of Demand	$0.73
	Over 10,000 kW of Demand	$0.36
	Facilities Rental Charge at 46 kV	
Seasonal Large Manufacturing (SMSB) Demand greater than 5,000 kW but not more than 15,000 kW	Customer Charge	$1560.00
	Administration Charge	$350.00
	Demand Charge (per kW)	
	Summer	$19.80
	Winter	$13.14
	Transition	$8.13
	Usage Charge (per kWh)	
	Summer	$0.01983*
	Winter	$0.01495*
	Transition	$0.01380*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36
Seasonal Very Large Manufacturing (SMSC) Demand greater than 15,000 kW but not more than 25,000 kW	Customer Charge	$1560.00
	Administration Charge	$350.00
	Demand Charge (per kW)	
	Summer	$19.48
	Winter	$12.82
	Transition	$7.81
	Usage Charge (per kWh)	
	Summer	$0.01951*
	Winter	$0.01493*
	Transition	$0.01383*
	Facilities Rental Charge at 12 kV	
	First 10,000 kW of Demand	$0.93
	Over 10,000 kW of Demand	$0.73
	Facilities Rental Charge at 46 kV	$0.36

Seasonal Extra Large Manufacturing (SMSD) Demand greater than 25,000 kW	Customer Charge Administration Charge Demand Charge (per kW) Summer Winter Transition Usage Charge (per kWh) Summer Winter Transition Facilities Rental Charge at 12 kV First 10,000 kW of Demand Over 10,000 kW of Demand Facilities Rental Charge at 46 kV	$1560.00 $350.00 $22.61 $15.95 $10.94 $0.01179* $0.00812* $0.00723* $0.93 $0.73 $0.36
Pumping Station	Customer Charge Usage Charge (per kWh)	$9.90 $0.03561*
Outdoor Lighting (Street and Park Lighting Systems, Traffic Signal Systems, and Athletic Field Lighting Installations)	Customer Charge (Traffic Signal Systems and Athletic Field Lighting Installations Only) Usage Charge (per kWh)	$2.94 $0.04814*

14333026.5

[Form of Continuing Disclosure Agreement]

CITY OF CHATTANOOGA, TENNESSEE

$_____ ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2015A
$_____ ELECTRIC SYSTEM REFUNDING REVENUE BONDS, SERIES 2015B (TAXABLE)
$_____ ELECTRIC SYSTEM REVENUE BONDS, SERIES 2015C

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Electric Power Board of the City of Chattanooga ("EPB") in connection with the issuance by the City of Chattanooga, Tennessee (the "Issuer") of the captioned bonds (the "Series 2015 Bonds"). The Series 2015 Bonds are being issued pursuant to a resolution adopted by the City Council, including Resolution No. 22629, duly adopted September 5, 2000, as heretofore supplemented and amended, and as amended and supplemented by the Fifth Supplemental Electric System Revneue Bond Resolution and Sixth Supplemental Electric System Revenue Bond Resolution each adopted on July 14, 2015, and as further supplemented by Awarding Resolutions adopted on _____, 2015 (collectively, the "Resolution"), authorizing the issuance of the Series 2015 Bonds and vesting responsibility for compliance with this Agreement in EPB. EPB on behalf of the Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by EPB on behalf of the Issuer for the benefit of the Bondholders and Beneficial Owners of the Series 2015 Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings.

"Annual Report" shall mean any Annual Report provided by EPB pursuant to, and as described in Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2015 Bonds for federal income tax purposes.

"Dissemination Agent" shall mean any dissemination agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board, and all required filings with the MSRB shall be made electronically with the MSRB at emma.msrb.org.

"Official Statement" shall mean the Official Statement dated _____, 2015 relating to the Series 2015 Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2015 Bonds required to comply with the Rule in connection with offering of the Series 2015 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Tennessee.

"State Depository" shall mean any public or private depository or entity designated by the State of Tennessee as a state depository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is no State Depository.

SECTION 3. Provision of Annual Reports.

(a) EPB shall, or shall cause the Dissemination Agent to, within 180 days after the end of each fiscal year commencing with the fiscal year ending June 30, 2015, file with the MSRB and any State Depository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required for the filing of the Annual Report if they are not available by that date.

(b) If EPB is unable to provide to the Repositories an Annual Report by the date required in subsection (a), EPB shall file a notice with the MSRB and any State Depository and to the Issuer in substantially the form attached as Exhibit A.

(c) EPB or the Dissemination Agent, if any, shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of any State Repository; and

(ii) (if the Dissemination Agent is other than EPB) file a report with the Issuer and EPB certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing any State Depository to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the audited financial statements of EPB for the prior fiscal year, prepared in accordance with generally accepted accounting principles; provided; however, if EBP's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. The Annual Report shall also include in a similar format, as such format shall be determined by EPB, the statistical information included in the Official Statement under the heading "FINANCIAL INFORMATION".

Any or all of the items listed above may be incorporated by specific reference to other documents, including official statement of debt issues of the Issuer on behalf of EPB or related public entities, which have been submitted to the State Depository and the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. EPB shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2015 Bonds or other material events affecting the tax status of the Series 2015 Bonds;

(vii) Modifications to rights of holders of the Series 2015 Bonds, if material;

(viii) Series 2015 Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of 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; and

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Upon the occurrence of any of the above Listed Events, EPB shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such Listed Event, file a notice of such occurrence with the MSRB and the State Depository, if any.

(c) For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, EPB shall determine the materiality of such event as soon as possible after learning of its occurrence.

SECTION 6. Termination of Reporting Obligation. EPB's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2015 Bonds. If termination occurs prior to the final maturity of the Series 2015 Bonds, EFB shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. EPB, with the consent of the Issuer, or the Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Agreement, EPB may amend the Disclosure Agreement, and any provision of the Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2015 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original

issuance of the Series 2015 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2015 Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Series 2015 Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Agreement, EPB shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by EPB. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent EPB from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If EPB chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, EPB shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of EPB to comply with any provision of this Disclosure Agreement, any Bondholder or Beneficial Owner of the Series 2015 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause EPB to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of EPB to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent, if any, shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by law, EPB agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of EPB under this Section shall survive resignation or removal of the Dissemination Agent, if any, and payment of the Series 2015 Bonds.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, EPB, the Dissemination Agent, if any, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2015 Bonds and shall create no rights in any other person or entity.

Date: _____, 2015

ELECTRIC POWER BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

By: _____
Title:

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Chattanooga, Tennessee

Name of Bonds: Electric System Refunding Revenue Bonds, Series 2015A
Electric System Refunding Revenue Bonds, Series 2015B (Taxable)
Electric System Revenue Bonds, Series 2015C

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the Electric Power Board of the City of Chattanooga ("EPB") has not provided an Annual Report with respect to the above-named Bonds as required by Resolution No. 22629, duly adopted September 5, 2000, as heretofore supplemented and amended, and as amended and supplemented by Resolution No. ___, adopted on _____, 2015, and as further supplemented by an Awarding Resolution No. ____, adopted on _____, 2015 (collectively, the "Bond Resolution"). EPB anticipates that the Annual Report will be filed by _____.

Dated: _____

ELECTRIC POWER BOARD OF THE CITY OF CHATTANOOGA, TENNESSEE

By: _____