

In the opinion of Adams and Reese LLP, Bond Counsel, under existing law and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion, under existing law, that the Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation in the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. See "LEGAL MATTERS—Tax Matters" herein.

\$26,105,000

CITY OF KINGSPORT, TENNESSEE

Consisting Of:

\$14,855,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2017A

\$11,250,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2017B

Dated: September 8, 2017

Due: March 1 (as shown on following page)

The \$14,855,000 General Obligation Improvement Bonds, Series 2017A (the "Series 2017A Bonds") and the \$11,250,000 General Obligation Improvement Bonds, Series 2017B (the "Series 2017B Bonds") of the City of Kingsport, Tennessee (the "Municipality") shall be issued as fully registered in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semiannually from the date thereof commencing on March 1, 2018 and thereafter on each March 1 and September 1 to the owners thereof as shown on the books and records at the designated corporate trust office of U.S. Bank National Association, Olive Branch, Mississippi, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable by check or draft at the designated office of the Registration Agent.

The Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality is irrevocably pledged. To the extent the proceeds of the Series 2017B Bonds are used to fund projects for the Municipality's water and sewer system, such Series 2017B Bonds shall additionally be payable from, but not secured by, revenues to be derived from the operation of the Municipality's water and sewer system.

The Bonds are subject to redemption as described herein.

MATURITY SCHEDULE
SEE INSIDE COVER PAGE

This cover page and the inside cover page contain certain information for quick reference only. They are not a summary of these issues. Investors must read the entire "Official Statement" to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Adams and Reese LLP, Nashville, Tennessee, Bond Counsel. Certain matters will be passed upon for the Municipality by J. Michael Billingsley, Esq., City Attorney. The Bonds are expected to be available for delivery through the facilities of The Depository Trust Company, New York, New York on or about September 8, 2017.



This "Official Statement" speaks only as of its date, and the information contained herein is subject to change.

This "Official Statement" may contain forecasts, projections, and estimates that are based on current expectations, but are not intended as representations of fact or guarantees of results. If and when included in this "Official Statement", the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this "Official Statement". The Municipality disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Municipality's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This "Official Statement" and the Appendices hereto contain brief descriptions of, among other matters, the Municipality, the Bonds, the Resolution (as defined herein), the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933 and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This "Official Statement" does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Municipality or the Municipal Advisor to give any information or to make any representations other than those contained in this "Official Statement", and, if given or made, such other information or representations should not be relied upon as having been authorized by the Municipality or Municipal Advisor. Except where otherwise indicated, all information contained in this "Official Statement" has been provided by the Municipality. The information set forth herein has been obtained by the Municipality from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor. The information contained herein is subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Municipality, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

<u>Due</u> <u>March 1</u>	<u>Series 2017A</u> <u>Bonds</u>	<u>CUSIPs</u> ¹	<u>Series 2017B</u> <u>Bonds</u>	<u>CUSIPs</u> ¹	<u>Rate</u>	<u>Yield</u>	
2019	\$540,000	496443 RY0	\$420,000	496443 SS2	5.000%	0.850%	
2020	565,000	496443 RZ7	440,000	496443 ST0	5.000%	0.970%	
2021	595,000	496443 SA1	465,000	496443 SU7	5.000%	1.080%	
2022	625,000	496443 SB9	470,000	496443 SV5	5.000%	1.200%	
2023	655,000	496443 SC7	495,000	496443 SW3	5.000%	1.300%	
2024	690,000	496443 SD5	520,000	496443 SX1	5.000%	1.490%	
2025	725,000	496443 SE3	545,000	496443 SY9	5.000%	1.670%	
2026	760,000	496443 SF0	575,000	496443 SZ6	2.000%	1.850%	C
2027	775,000	496443 SG8	585,000	496443 TA0	2.250%	2.000%	C
2028	795,000	496443 SH6	595,000	496443 TB8	2.000%	2.228%	
2029	810,000	496443 SJ2	610,000	496443 TC6	2.250%	2.430%	
2030	825,000	496443 SK9	625,000	496443 TD4	2.500%	2.650%	
2031	850,000	496443 SL7	640,000	496443 TE2	3.000%	2.800%	C
2032	875,000	496443 SM5	660,000	496443 TF9	3.000%	2.880%	C
2035	955,000	496443 SP8	720,000	496443 TH5	3.000%	3.050%	
2036	980,000	496443 SQ6	740,000	496443 TJ1	3.000%	3.080%	
2037	1,010,000	496443 SR4	765,000	496443 TK8	3.000%	3.110%	

C= Priced to the March 1, 2025 optional redemption date

<u>Series</u>	<u>Type</u>	<u>Due</u>	<u>Amount</u>	<u>CUSIPs</u> ¹	<u>Rate</u>	<u>Yield</u>
2017A	Term	03/01/2034	\$1,825,000	496443 SN3	3.000%	3.000%
2017B	Term	03/01/2034	\$1,380,000	496443 TG7	3.000%	3.000%

¹ Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Municipality makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

CITY OF KINGSPORT, TENNESSEE

BOARD OF MAYOR AND ALDERMEN

John Clark	<i>Mayor</i>
Mike McIntire	<i>Vice Mayor and Alderman</i>
Jennifer Axsom Adler	<i>Alderman</i>
Joe Begley	<i>Alderman</i>
Betsy Cooper	<i>Alderman</i>
Colette George	<i>Alderman</i>
Tommy Olterman	<i>Alderman</i>

OFFICIALS

T. Jeffrey Fleming	<i>City Manager</i>
Christopher W. McCartt	<i>Assistant City Manager - Administration</i>
Ryan O. McReynolds	<i>Assistant City Manager - Operations</i>
James H. Demming, CPA	<i>City Recorder/CFO</i>
J. Michael Billingsley, Esq.	<i>City Attorney</i>

REGISTRATION AND PAYING AGENT

U.S. Bank National Association
Olive Branch, Mississippi

BOND COUNSEL

Adams and Reese LLP
Nashville, Tennessee

DISSEMINATION AGENT

Regions Bank
Nashville, Tennessee

MUNICIPAL ADVISOR

Raymond James & Associates, Inc.
Nashville, Tennessee

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SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this "Official Statement". This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this "Official Statement".

The IssuerCity of Kingsport, Tennessee (the "Municipality"). See the section entitled "Supplemental Information Statement" (APPENDIX B) for more information.

Securities Offered.....\$14,855,000 General Obligation Improvement Bonds, Series 2017A (the "Series 2017A Bonds") and \$11,250,000 General Obligation Improvement Bonds, Series 2017B (the "Series 2017B Bonds") of the City of Kingsport, Tennessee (the "Municipality") which are dated September 8, 2017. The Series 2017A Bonds and the Series 2017B Bonds (collectively, the "Bonds") will mature on March 1, 2019 through March 1, 2032, inclusive, on March 1, 2034 and on March 1, 2035 through March 1, 2037, inclusive. See the section entitled "SECURITIES OFFERED – Authority and Purpose".

PurposeThe Series 2017A Bonds are issued for the purpose of (1) financing a portion of the costs of certain public works projects, consisting of the acquisition of public art; the acquisition, construction, improvement and renovation of public school facilities; road, street, parking, and sidewalk construction, improvement and expansion, including Greenbelt improvements; the acquisition, construction, renovation, improvement and equipping of public buildings within the Municipality, including renovations to the library and improvements to fire facilities and court facilities; acquisition of public works equipment, including playground equipment and improvements to technology infrastructure, grounds maintenance equipment, street lights, and traffic light systems; acquisition, construction, and improvement of public parks and recreational facilities, including Bays Mountain Park, Preston Forest Park, and aquatic center pool expansion; the acquisition of all property real and personal, appurtenant thereto or connected with such work; and paying legal, fiscal, administrative, and engineering costs, reimbursing the Municipality for the costs of any of the above projects, paying capitalized interest, and (2) paying costs incident to the issuance and sale of the Series 2017A Bonds.

The Series 2017B Bonds are issued for the purpose of (1) financing a portion of the costs of certain public works projects, consisting of the acquisition of public art; construction, expansion and improvement of the Municipality's water system; construction, expansion and improvement of the Municipality's sewer system; the acquisition of all property real and personal, appurtenant thereto or connected with such work; and paying legal, fiscal, administrative, and engineering costs, reimbursing the Municipality for the costs of any of the above projects, paying capitalized interest, and (2) paying costs incident to the issuance and sale of the Series 2017B Bonds.

See the section entitled "SECURITIES OFFERED – Authority and Purpose" for additional information.

SecurityThe Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality is irrevocably pledged. To the extent the proceeds of the Series 2017B Bonds are used to fund projects for the Municipality's water and sewer system, such Series 2017B Bonds shall additionally be payable from, but not secured by, revenues to be derived from the operation of the Municipality's water and sewer system. See the section entitled "SECURITIES OFFERED – Security" for additional information.

Optional Redemption	Bonds maturing March 1, 2019 through March 1, 2025, are not subject to redemption prior to maturity. The Bonds maturing on and after March 1, 2026, are subject to redemption prior to maturity on March 1, 2025, and at any time thereafter, at the option of the Municipality, as a whole or in part, in integral multiples of \$5,000 (less than all Bonds of a single maturity to be selected by lot by the Registration Agent), at the price of par, plus accrued interest to the date fixed for redemption. See the section entitled “SECURITIES OFFERED – Redemption – <i>Optional</i> ” for additional information.
Mandatory Redemption.....	The Bonds maturing on March 1, 2034 are subject to mandatory sinking fund redemption. See the section entitled “SECURITIES OFFERED – Redemption – <i>Mandatory</i> ” for additional information.
Ratings.....	Moody’s – “Aa2” and S&P – “AA”. See the section entitled “MISCELLANEOUS – Ratings” for more information.
Book-Entry Only	The Bonds will be issued under the Book-Entry-Only System. For additional information, see the section entitled “BASIC DOCUMENTATION – Book-Entry-Only System.”
Underwriter	Citigroup Global Markets, Inc., Dallas, Texas (the “Underwriter”). See the section entitled “MISCELLANEOUS – Competitive Public Sale” for additional information.
Bond Counsel	Adams and Reese LLP, Nashville, Tennessee (“Bond Counsel”).
Municipal Advisor.....	Raymond James & Associates, Inc., Nashville, Tennessee (“Raymond James” or the “Municipal Advisor”). See the section entitled “MISCELLANEOUS - Financial Professionals”.
Registration and Paying Agent.....	U.S. Bank National Association, Olive Branch, Mississippi (the “Registration Agent”). See the section entitled “MISCELLANEOUS - Financial Professionals”.
Dissemination Agent	Regions Bank, Nashville, Tennessee (the “Dissemination Agent”). See the section entitled “MISCELLANEOUS - Financial Professionals”.
General	The Bonds are being issued in full compliance with Title 9, Chapter 21, Parts 1 and 2, <u>Tennessee Code Annotated</u> , as supplemented and revised and the Resolution (defined herein) approved by the Board of Mayor and Aldermen of the Municipality on August 1, 2017. The Series 2017A Bonds and the Series 2017B Bonds will be issued with separate CUSIP numbers through the facilities of The Depository Trust Company, New York, New York. See the section entitled “SECURITIES OFFERED – Authority and Purpose” for more information.
Tax Matters	In the opinion of Bond Counsel, under existing law and assuming compliance with certain tax covenants described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion, under existing law, that the Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation in the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. See “LEGAL MATTERS—Tax Matters” herein. See also “APPENDIX A: Forms of Legal Opinions” included herein.
Disclosure.....	In accordance with Rule 15c2-12 of the Securities and Exchange Commission as amended, the Municipality will provide the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system

(“EMMA”) and the State information depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports. See the section entitled “MISCELLANEOUS - Continuing Disclosure” and “APPENDIX C: Form of the Continuing Disclosure Certificate”.

Other Information.....The information in the “Official Statement” is deemed "final" within the meaning of Rule 15c2-12(b)(5) of the SEC (the “Rule”). For more information concerning the Municipality or the “Official Statement”, contact Mr. James H. Demming, CPA, City Recorder and Chief Financial Officer, City of Kingsport, City Hall, 225 West Center Street, Kingsport, Tennessee 37660. Telephone: 423-229-9400 or the Municipal Advisor, Raymond James & Associates, Inc., One Burton Hills Blvd. - Suite 225, Nashville, Tennessee 37215-6299, Telephone: 615-665-6920 or 800-764-1002.

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\$26,105,000

CITY OF KINGSPORT, TENNESSEE

Consisting of:

\$14,855,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2017A

\$11,250,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2017B

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This “Official Statement” (including the Summary Statement and appendices) is furnished in connection with the offering by the City of Kingsport, Tennessee (the "Municipality") of its \$14,855,000 General Obligation Improvement Bonds, Series 2017 (the “Series 2017A Bonds”) and its \$11,250,000 General Obligation Improvement Bonds, Series 2017 (the “Series 2017B Bonds”).

The Series 2017A Bonds and the Series 2017B Bonds (collectively, the “Bonds”) are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, Parts 1, and 2, Tennessee Code Annotated, as supplemented and amended, and other applicable provisions of law and pursuant to resolutions (collectively, the “Resolution”) duly adopted by the Board of Mayor and Aldermen of the Municipality (the “Governing Body”) on August 1, 2017.

The Series 2017A Bonds are issued for the purpose of (1) financing a portion of the costs of certain public works projects, consisting of the acquisition of public art; the acquisition, construction, improvement and renovation of public school facilities; road, street, parking, and sidewalk construction, improvement and expansion, including Greenbelt improvements; the acquisition, construction, renovation, improvement and equipping of public buildings within the Municipality, including renovations to the library and improvements to fire facilities and court facilities; acquisition of public works equipment, including playground equipment and improvements to technology infrastructure, grounds maintenance equipment, street lights, and traffic light systems; acquisition, construction, and improvement of public parks and recreational facilities, including Bays Mountain Park, Preston Forest Park, and aquatic center pool expansion; the acquisition of all property real and personal, appurtenant thereto or connected with such work; and paying legal, fiscal, administrative, and engineering costs, reimbursing the Municipality for the costs of any of the above projects, paying capitalized interest, and (2) paying costs incident to the issuance and sale of the Series 2017A Bonds.

The Series 2017B Bonds are issued for the purpose of (1) financing a portion of the costs of certain public works projects, consisting of the acquisition of public art; construction, expansion and improvement of the Municipality’s water system; construction, expansion and improvement of the Municipality’s sewer system; the acquisition of all property real and personal, appurtenant thereto or connected with such work; and paying legal, fiscal, administrative, and engineering costs, reimbursing the Municipality for the costs of any of the above projects, paying capitalized interest, and (2) paying costs incident to the issuance and sale of the Series 2017B Bonds.

DESCRIPTION OF THE BONDS

The Bonds initially will be dated the date of their issuance estimated to be September 8, 2017. Interest on the Bonds will be payable semiannually on March 1 and September 1, commencing March 1, 2018. The Bonds will be initially registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds.

In the event that any amount payable on any Bond as interest shall at any time exceed the rate of interest lawfully chargeable thereon under applicable law, then any such excess shall, to the extent of such excess, be applied against the principal of such Bonds as a prepayment thereof without penalty, and such excess shall not be considered to be interest. All rates of interest specified herein shall be computed on the basis of a 360 day year composed of 12 months of 30 days each.

The principal of and all installments of interest on any Bond shall bear interest from and after their respective due dates at a rate of interest equal to the rate of interest payable on the principal of such Bond.

Interest on the Bonds shall be payable by check or other form of draft of the Registration Agent deposited by the Registration Agent in the United States mail, first class postage prepaid, in sealed envelopes, addressed to the Owners of the Bonds, as of the applicable Interest Payment Date, at their respective addresses as shown on the registration books of the Municipality maintained by the Registration Agent as of the close of business on the fifteenth (15th) calendar day of the month next preceding the applicable Interest Payment Date (the “Regular Record Date”). The principal or redemption price, if any, of all Bonds shall be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Registration Agent. All payments of the principal of and interest on the Bonds shall be made in any coin or currency of the United States of America which, on the date of payment thereof, shall be legal tender for the payment of public and private debts.

See the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”, “Special Record Date” and the “Registration Agent” for additional information.

SECURITY

The Bonds are payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality is irrevocably pledged. To the extent the proceeds of the Series 2017B Bonds are used to fund projects for the Municipality’s water and sewer system, such Series 2017B Bonds shall additionally be payable from, but not secured by, revenues to be derived from the operation of the Municipality’s water and sewer system.

For the purpose of providing for the payment of the principal of, premium, if any, and interest on, the Bonds, to the extent necessary, there shall be levied in each year in which such Bonds shall be outstanding a direct tax on all taxable property in the Municipality, fully sufficient, to pay all such principal and interest falling due prior to the time of collection of the next succeeding tax levy. Said tax

shall be assessed, collected, and paid at the time, and in the same manner, as the other taxes of said Municipality, shall be in addition to all other taxes, and shall be without limitation as to time, rate, or amount. The Board of the Municipality is required by law and shall and does hereby pledge to levy such tax. Principal, premium, if any, and interest, or any of the foregoing, falling due at any time when there shall be insufficient funds on hand from such tax levy for the payment thereof shall be paid from the General Fund or other available funds of the Municipality, but reimbursement therefor may be made from the taxes herein provided when the same shall have been collected. Such taxes levied and collected therefor shall be deposited in General Fund of the Municipality, and used for the payment of principal and interest on the Bonds as the same shall become due.

REDEMPTION

Optional Redemption. Bonds maturing March 1, 2019 through March 1, 2025, are not subject to redemption prior to maturity. The Bonds maturing on and after March 1, 2026, are subject to redemption prior to maturity on March 1, 2025, and at any time thereafter, at the option of the Municipality, as a whole or in part, in integral multiples of \$5,000 (less than all Bonds of a single maturity to be selected by lot by the Registration Agent), at the price of par, plus accrued interest to the date fixed for redemption.

Mandatory Redemption. Subject to the credit hereinafter provided, the Municipality shall redeem the Bonds maturing on March 1, 2034 on the redemption dates set herein below opposite the maturity dates, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. DTC, as securities depository for Bonds or such person as shall then be serving as the securities depository for the Bonds, shall determine the interest of each participant in the Bonds to be redeemed using its procedures generally in use at that time. If DTC, or another securities depository is no longer serving as securities depository for the Bonds to be redeemed within a maturity shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall select. The dates of redemption and principal amount of the Bonds to be redeemed on said dates are as follows:

Redemption Date	Series 2017A Bonds Redeemed	Series 2017B Bonds Redeemed
March 1, 2033	\$900,000	\$680,000
March 1, 2034*	\$925,000	\$700,000

Notice of Redemption. In the event of optional redemption, whether optional or mandatory, notice of intended redemption shall be given by the Registration Agent on behalf of the Municipality to the Owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the registration books kept by the Registration Agent. Notice of intended redemption shall be given not less than thirty (30) calendar days, nor more than sixty (60) calendar days prior to the date fixed for redemption. Each such notice of redemption shall state: (1) the redemption date; (2) the redemption price; (3) if less than all outstanding Bonds are to be redeemed, the registered number and the CUSIP number printed on the Bonds (and, in the case of partial redemption, the respective principal amounts) of

* Final maturity

the Bonds to be redeemed; (4) that on the redemption date, the redemption price will become due and payable upon such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date provided sufficient funds are available on such redemption date to fully pay the redemption price of and the interest on the Bonds called for redemption; and, (5) the place where such are to be surrendered for payment of the redemption price, which place of payment shall be the principal corporate trust office of the Registration Agent. Neither failure to mail any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Bonds for which notice was correctly given.

If notice of redemption shall have been given in the manner and under the conditions provided herein and if on the date so designated for redemption the Registration Agent shall hold sufficient monies to pay the redemption price of, and interest to the redemption date on, the Bonds to be redeemed as provided in the Resolution, then: (1) the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date; (2) interest on the Bonds so called for redemption shall cease to accrue; and, (3) such Bonds shall no longer be outstanding or secured by, or be entitled to, the benefits of the Resolution, except to receive payment of the redemption price thereof and interest thereon from monies then held by the Registration Agent.

Prior to any redemption date, the Municipality shall deposit with the Registration Agent an amount of money sufficient to pay the redemption price of all of the Bonds which are to be redeemed on that date.

If on the redemption date, monies for the redemption of all the Bonds or portions thereof to be redeemed, together with interest thereon to the redemption date, shall not be held by the Registration Agent so as to be available therefor on such date, the Bonds or portions thereof so called for redemption shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption and shall continue to be secured by and be entitled to the benefits of the Resolution.

In case any Bond is of a denomination larger than \$5,000, a portion of such Bond - \$5,000 or any integral multiple thereof - may be redeemed, but the Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. In selecting Bonds for redemption, the Municipality shall treat the Bonds as representing that number of Bonds which is obtained by dividing the principal amount of the Bond by \$5,000. If part but not all of a Bond shall be selected for redemption, the Owner thereof or his, her, or its legal representative shall present and surrender such Bond to the Registration Agent for payment of the principal amount thereof so called for redemption and the premium, if any, on such principal amount thereof so called for redemption, and the Municipality shall execute and the Registration Agent shall authenticate and deliver to such Owner or legal representative, without charge therefor, for the unredeemed portion of the Bond surrendered, a Bond of the same maturity, bearing the same interest rate, and of authorized denomination or denominations.

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BASIC DOCUMENTATION

REGISTRATION AGENT

U.S. Bank National Association (the “Registration Agent”) or the Municipality will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Municipality in respect of such Bonds to the extent of the payments so made. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry system maintained by DTC (the “Book-Entry-Only System”). One or more fully-registered bond certificates will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC is a limited-purpose trust company organized under the New York Bank 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 securities that its participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry-only changes in DTC Participants’ accounts, thereby eliminating 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 its Direct Participants and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (the “NSCC”, “GSCC”, “MBSCC”, and “EMCC”, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. (the “NYSE”), 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 and trust companies that clear through or maintain a custodial relationship with a Direct DTC Participant, either directly or indirectly (the “Indirect Participants” and, together with the Direct Participants, the “Participants”). DTC has S&P’s ratings: “AA+.” The rules applicable to DTC

and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 purchase, but beneficial owners are 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 whom such beneficial owners entered into the transaction. Transfers of ownership interests in the 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 the Bonds, except as specifically provided in the Bonds in the event that use of the book-entry-only system is discontinued.

Payments of Principal and Interest. Principal and interest payments on the 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 detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Municipality or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. 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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. Beneficial owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to beneficial owners, or in the alternative, beneficial owners may wish to provide their names and addresses to the Registration Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Municipality

as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE MUNICIPALITY, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee does not affect any change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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.

Discontinuance of Book-Entry-Only System. In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Municipality determines to discontinue the Book-Entry System, the Book-Entry System shall be discontinued. Upon the occurrence of the event described above, the Municipality will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to beneficial owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Municipality believes to be reliable, but the Municipality, the Bond Counsel, the Registration Agent, the Municipal Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds. None of the Municipality, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the beneficial owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolutions. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

SPECIAL RECORD DATE

Any interest on any of the Bonds which is payable but is not punctually paid or duly provided for on any Interest Payment Date on which interest is due (hereinafter "Defaulted Interest") shall forthwith cease to be payable to the Owner on the relevant Regular Record Date; and, in lieu thereof, such

Defaulted Interest shall be paid by check or other form of draft of the Registration Agent to the persons in whose names the Bonds are registered at the close of business on a date (the "Special Record Date") for the payment of such Defaulted Interest, which shall be fixed in the following manner: the Municipality shall notify the Registration Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the Municipality shall deposit with the Registration Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangement satisfactory to the Registration Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as in this Section provided. Thereupon, not less than ten (10) calendar days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent shall fix a Special Record Date for the payment of such Defaulted Interest which date shall be not more than fifteen (15) nor less than ten (10) calendar days prior to the date of the proposed payment to the Owners. The Registration Agent shall promptly notify the Municipality of such Special Record Date and, in the name and at the expense of the Municipality, not less than ten (10) calendar days prior to such Special Record Date, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Owner at the address thereof as it appears in the registration books of the Municipality maintained by the Registration Agent as of the date of such notice. Nothing contained in the Resolution or in the Bonds shall impair any statutory or other rights in law or in equity of any Owner arising as a result of the failure of the Municipality to punctually pay or duly provide for the payment of principal of and interest on, the Bonds when due.

TRANSFER AND EXCHANGE

The Bonds are transferable only by presentation at the office of the Registration Agent, by the registered owner or their legal representative duly authorized in writing, of the registered Bond(s) to be transferred with the form of assignment completed in full and signed with the name of the registered owner as it appears upon the face of the Bond(s) accompanied by appropriate documentation necessary to prove the legal capacity of any legal representative of the registered owner. Upon receipt of the Bond(s) in such form and with such documentation, if any, the Registration Agent shall issue a new Bonds to the assignee(s) in \$5,000 denominations, or integral multiples thereof, as requested by the registered owner requesting transfer. No charge shall be made to any registered owner for the privilege of transferring any Bond, provided that any transfer tax relating to such transaction shall be paid by the owner requesting transfer. The Registration Agent shall not be required to transfer or exchange any Bond during the fifteen calendar days next preceding an Interest Payment Date or the first mailing of any notice of redemption or with respect to any Bond, after such Bond has been called for redemption. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes and neither the Municipality nor the Registration Agent shall be affected by any notice to the contrary whether or not any payments due on the Bonds shall be overdue. Bonds, upon surrender to the Registration Agent, may, at the option of the registered owner, be exchanged for an equal aggregate principal amount of Bonds of the same maturity in any authorized denomination or denominations.

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SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds relating to the proceeds from the Bonds:

<u>SOURCES OF FUNDS:</u>	<u>SERIES 2017A BONDS</u>	<u>SERIES 2017B BONDS</u>
Par Amount	\$14,855,000.00	\$11,250,000.00
Plus: Net Premium	<u>678,917.55</u>	<u>468,799.25</u>
TOTAL SOURCES:	<u>\$15,533,917.55</u>	<u>\$11,718,799.25</u>
<u>USES OF FUNDS:</u>		
General Obligation Improvement Bonds, Series 2017A, Project Fund	\$15,331,913.65	-
General Obligation Improvement Bonds, Series 2017B, Project Fund	-	\$11,567,183.31
Underwriter's Discount	119,832.82	89,637.02
Costs of Issuance	<u>82,171.08</u>	<u>61,978.92</u>
TOTAL USES:	<u>\$15,533,917.55</u>	<u>\$11,718,799.25</u>

DISCHARGE AND SATISFACTION OF BONDS

If the Municipality shall pay and discharge the entire indebtedness evidenced by any of the Bonds in any one or more of the following ways:

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

(b) By depositing or causing to be deposited with any trust company or bank whose deposits are insured by the Federal Deposit Insurance Corporation and which has trust powers (“a Trustee”; which Trustee may be the Registration Agent), in trust, at or before the date of maturity or redemption, sufficient monies or Government Obligations, the principal of and interest on which, when due and payable, will provide sufficient monies to pay or redeem the Bonds Outstanding hereunder and to pay premium, if any, and interest thereon when due until the maturity or redemption date; provided, if such Bonds are to be redeemed prior to the maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice; or,

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

If the Municipality shall also pay or cause to be paid all other sums payable hereunder by the Municipality with respect to such Bonds, or make adequate provision therefor, and by resolution of the Board instruct any such Trustee to pay amounts when and as required to the Registration Agent for the payment of principal of, premium, if any, and interest on, such Bonds when due, then and in that case indebtedness evidenced by such Bonds shall be discharged and satisfied, and all covenants, agreements,

and obligations of the Municipality to the owners of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate, and become void.

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

Except as otherwise provided herein neither Government Obligations nor monies deposited with the Registration Agent nor principal or interest payments on any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on, said Bonds; provided that any cash received from such principal or interest payments on such Government Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Municipality as received by the Registration Agent, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal of, premium, if any, and interest, to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Municipality, as received by the Registration Agent.

Nothing contained herein shall be construed to alter or change the redemption provisions set forth herein. No redemption privilege shall be exercised with respect to the Bonds except at the option and election of the Municipality. The optional right of redemption shall not be exercised by the Registration Agent unless expressly so directed by an Authorized Representative of the Municipality.

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LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the Municipality to sell or issue the Bonds or levy and collect ad valorem taxes. See the subsection in this section entitled Closing Certificates for additional information.

The Municipality, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. After reviewing the current status of all pending and threatened litigation except as specifically described below, the Municipality believes that, while the outcome of any litigation cannot be predicted, the final settlement of all lawsuits that have been filed and of any actions or claims presently pending or threatened against the Municipality or its officials in such capacity are adequately covered by insurance or by sovereign immunity or will not have an adverse effect upon the Municipality's financial condition except the following lawsuit.

On May 5, 2014, Sullivan County, Tennessee and the Sullivan County Board of Education Sullivan County, Tennessee ("Plaintiffs") filed a lawsuit against the Municipality in the Chancery Court for Sullivan County, Tennessee Civil Action No. K0039409(c). The lawsuit concerns the interpretation and application of Tennessee Code Annotated Section 57-4-306, which requires that a portion of the proceeds from the liquor by the drink tax paid to the Municipality by the State "be expended and distributed in the same manner as the county property tax for schools is expended and distributed."

Plaintiffs allege they are due unpaid liquor by the drink taxes from the Municipality for the period from 1980 to 2014 and have demanded \$1,340,037 or the full amount of the unremitted tax revenues plus pre-judgment interest. The Municipality denies any liability. The Tennessee Attorney General opined in 1980 that the statute in question does not apply to counties that have not authorized liquor by the drink, followed by an opinion in 1981 indicating the statute does not apply to municipalities that operate their own school system. Sullivan County has not authorized liquor by the drink. The Municipality operates its own school system. Similar lawsuits have been filed against several municipalities in Tennessee. In 2014 the Tennessee legislature enacted legislation permitting the settlement of such lawsuits by counties and municipalities on mutual agreeable terms. The Municipality filed a Motion for Summary Judgment, and the trial court ruled in the favor of the Municipality, thereby dismissing the lawsuit. The Plaintiffs have appealed the decision to the Tennessee Court of Appeals. Oral arguments in the appeal are presently scheduled for August 2017. Sometime thereafter the Court will issue a decision in the matter. If the decision of the trial court is upheld, the Municipality will not owe any money to the Plaintiffs. If a judgment is rendered against the Municipality, the payment of such judgment is not covered by insurance. It would be directly paid by the Municipality. It is not possible to predict the outcome of this litigation at this time.

The Municipality has coverage through the Tennessee Municipal League Risk Management Pool for compensatory damages in civil rights claims up to \$5,000,000. Ultimately, the Municipality pays for this coverage, as it is self-insured. The charter of the Municipality provides the following pertaining to coverage for its employees:

"Whenever any elected official or employee of the City of Kingsport shall be sued for damages arising out of the performance of his official duties and while engaged in the course of his employment or discharge or

attempted discharge of his official duties in his employment, the City of Kingsport shall be authorized and required to provide defense counsel for such elected official or employee in such suit and to indemnify him from any judgment rendered against him in such suit; provided, however, that such indemnity shall not extend to any judgment for punitive damages or for damages arising out of any willful wrongdoing by said elected official or employee and provided, further, that such municipal corporation or other political subdivision shall have notice of such suit.

The City of Kingsport is authorized to contract at governmental expense for policies of liability insurance to protect elected officials and employees in the course of their employment.”

There is no coverage for punitive damage or intentional torts. Generally, the Municipality has governmental immunity from intentional torts. For certain types of actions, immunity is waived, including certain negligent acts of its employees. For those action for which immunity is waived the amount of damages that are recoverable are limited as set out by the Tennessee Governmental Tort Liability Act. The limits are \$300,000 for bodily injury or death for any one person in any one accident, occurrence or act, and up to \$700,000 for bodily injury or death of all persons in any one accident, occurrence or act, and \$100,000 for injury or destruction of property of others in in any one accident, occurrence or act.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the Municipality, including, but not limited to, the right to require the Municipality to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the Municipality to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

TAX MATTERS

In the opinion of Adams and Reese LLP, as Bond Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporation. However, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

In rendering its opinion, Bond Counsel has relied on certain representations, certifications of facts and statements of reasonable expectations made by the Municipality in connection with the Bonds, and Bond Counsel has assumed compliance by the Municipality with certain ongoing covenants to comply with applicable requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated

to the federal government. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the federal tax status of the interest on the Bonds.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. Prospective purchasers of the Bonds should consult their tax advisers as to collateral federal income tax consequences.

From time to time, there are legislative proposals in the Congress or in the various states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Bonds. Prospective purchasers of the Bonds are encouraged to consult their own tax advisors regarding any pending or proposed federal legislation.

It cannot be predicted with certainty whether or in what form any proposed legislation might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof, would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

Original issue discount (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons acting in the capacity as underwriters, placement agents or wholesalers). In general, the issue price of each maturity of the Bonds is expected to be the initial public offering price set forth on the cover page of this “Official Statement”.

In general, under Section 1288 of the Code, OID on any of the Bonds having OID accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compound rate determined by reference to the yield on such Bonds. The OID that has accrued and is properly allocable to the owners of Bonds having OID will be excluded from gross income for federal income tax purposes, and will increase the owner’s tax basis in such Bond. Purchasers of any Bond having OID should consult their tax advisors regarding the determination and treatment of OID for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.

In general, if an owner of a Bond acquires such Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally

payable at least annually at prescribed rates), that premium must be amortized over the remaining term of the Bond, based on the owner's yield over the remaining term of the Bond, determined based on constant yield principles (in certain cases involving a premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Bond). An owner of a premium Bond must amortize the premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the premium allocable allocable to that period. In the case of a tax-exempt premium bond, if the premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a premium Bond may realize a taxable gain upon disposition of the premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any premium Bond should consult their own tax advisors regarding the treatment of premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of premium on, sale, exchange or other disposition of premium Bonds.

In the opinion of Bond Counsel, under existing law, the Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation in the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law.

Bond Counsel expresses no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee. Prospective purchasers of the Bonds should consult their tax advisers as to whether the Bonds or interest on the Bonds is or is not exempt from taxation in any other state.

The forms of the opinions of Bond Counsel are attached as "APPENDIX A - Forms of the Legal Opinions". Copies of the legal opinions will be available at the time of the initial delivery of the Bonds.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the Municipality will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the "Official Statement", in final form (as defined herein), signed by the Mayor and other officials acting in their official capacities to the effect that to the best of their knowledge and belief, and after reasonable investigation, (a) neither the "Official Statement", in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the "Official Statement", in final form, no event has occurred which should have been set forth in such a memo or supplement, and (c) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) a non-arbitrage certificate which supports the conclusions that based upon facts, estimates and circumstances in effect, upon delivery of the Bonds, the proceeds of the Bonds will not be used in a manner which would cause the Bonds to be arbitrage bonds; (iii) certificates as to the delivery and payment, signed by the officials acting in their official capacities evidencing delivery of and payment for the Bonds; (iv) a signature identification and incumbency certificate, signed by the Mayor, City Recorder and/or other officials of the Municipality acting in their official capacities certifying as to the due execution of the Bonds; and

(v) a Continuing Disclosure Certificate regarding certain covenants of the Municipality concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

For additional information, see the section entitled “MISCELLANEOUS – Competitive Public Sale”, “MISCELLANEOUS - Additional Information”, “MISCELLANEOUS - Continuing Disclosure” and “APPENDIX A: Forms of Legal Opinions”.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Adams and Reese LLP, Nashville, Tennessee, Bond Counsel. Bond Counsel did not prepare the “Preliminary Official Statement” or the “Official Statement”, in final form, or verify their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the “Preliminary Official Statement” or “Official Statement”, in final form, except for the information under the section entitled “LEGAL MATTERS – Tax Matters”. The opinions of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds. Reference is hereby made to the “Official Statement” and the forms of the opinions contained in APPENDIX A.

Certain other matters will be passed upon for the Municipality by J. Michael Billingsley, Esq., City Attorney.

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MISCELLANEOUS

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings (“S&P”) have assigned the Bonds the ratings of “Aa2” and “AA”, respectively.

The Municipality furnished Moody’s and S&P certain information and materials concerning the Bonds and the Municipality. Generally, Moody’s and S&P base their ratings on such information and materials and also on such investigations, studies and assumptions that it

may undertake independently. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's or S&P, if, in their judgment, circumstances so warrant. The Municipality undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of a rating or ratings or other actions by a rating agency may have an adverse effect on the market price of the Bonds.

Any explanation of the significance of the ratings may be obtained only from Moody's or S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on August 28, 2017. Details concerning the public sale were provided to potential bidders and others through the "Official Notice of Sale" and the "Preliminary Official Statement" that were dated August 16, 2017, as revised on August 17, 2017.

Through IPREO's BiDCOMP®/Parity® system, 12 of the original 12 firms which indicated an interest in bidding for the Bonds submitted proposals ranging from the best bid of 2.699592% on a true interest cost basis ("TIC") to 2.936044%.

The successful bidder for the Bonds was an account led by Citigroup Global Markets, Inc., Dallas, Texas (the "Underwriter") who contracted with the Municipality, subject to the conditions set forth in the "Official Notice of Sale" (including permitted adjustments) to purchase (i) the Series 2017A Bonds at a price of \$15,414,084.73 (consisting of the par amount of the Series 2017A Bonds of \$14,855,000.00, plus a net premium of \$678,917.55, less an underwriter's discount of \$119,832.82) or a bid price of 103.764% of par; and (ii) the Series 2017B Bonds at a price of \$11,629,162.23 (consisting of the par amount of the Series 2017B Bonds of \$11,250,000.00, plus a net premium of \$468,799.25, less an underwriter's discount of \$89,637.02) or a bid price of 103.370% of par.

FINANCIAL PROFESSIONALS

Municipal Advisor. Raymond James & Associates, Inc., ("Raymond James") Nashville, Tennessee has served as Municipal Advisor to the Municipality in connection with the Bonds and will receive compensation for duties performed in that role conditioned upon the sale and issuance of the Bonds. From time to time, Adams and Reese LLP has represented Raymond James on legal matters unrelated to the Municipality and may do so again.

Bond Counsel. From time to time, Adams and Reese LLP has represented Raymond James, U.S. Bank National Association and Regions Bank on legal matters unrelated to the Municipality and may do so again.

DEBT LIMITATIONS

There is no limit on the amount of debt obligations that may be issued by the Municipality under State law. (See “DEBT STRUCTURE - Indebtedness and Debt Ratios” for more information.)

ADDITIONAL DEBT OBLIGATIONS

On October 9, 2014, the Municipality was notified that it was awarded a \$15,000,000 Drinking Water State Revolving Fund Loan (the “Loan”) from the Tennessee Department of Environment and Conservation for improvements related to raw water intake and transmission improvements. The Loan is a draw-down loan amortized over 20 years at a fixed rate of 1.78%. As of June 30, 2017, \$12,871,681 has been drawn. No principal is scheduled for repayment until at least 90% of the Loan has been drawn, but monthly interest is paid on any balance actually drawn.

OFFICIAL STATEMENT

Certain information relative to the location, economy and finances of the Municipality is found in the “Preliminary Official Statement” and in the “Official Statement”. While not guaranteed as to completeness or accuracy, the “Preliminary Official Statement” and the “Official Statement” are believed to be correct as of their respective dates based on information supplied by the Municipality and other reliable sources and by the certification by the Municipality as to the “Official Statement”.

Raymond James has not been engaged by the Municipality to provide or validate any information in the “Preliminary Official Statement” or in the “Official Statement” relating to Municipality, including (without limitation) any of Municipality’s financial and operating data, whether historical or projected. Raymond James is not a public accounting or auditing firm and has not been engaged by the Municipality to review or audit any information in the “Preliminary Official Statement” or in the “Official Statement” in accordance with accounting standards.

CONTINUING DISCLOSURE

At the time the Bonds are delivered, the Municipality will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the Municipality by not later than twelve months after the end of each of the Municipality’s fiscal years, (the “Annual Report”), commencing with the fiscal year ending June 30, 2017 and to provide notice of the occurrence of certain enumerated events, if determined by the Municipality to be material under applicable federal securities laws. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (“MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the Municipality is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of material events will be filed by the Municipality with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of material events will be

summarized in the Municipality's "Official Statement" to be prepared and distributed in connection with the sale of the Bonds. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12 (b) (the "Rule"). The Municipality has not failed to comply, in any material respect, in the last five years with any previous undertakings with regard to said Rule to provide Annual Reports or notices of events. Regions Bank is the initial Dissemination Agent. See "APPENDIX C: Form of Continuing Disclosure Certificate" for additional information.

ADDITIONAL INFORMATION

References, excerpts and summaries contained herein of certain provisions of the laws of the State and any documents referred to herein do not purport to be complete statements of the provisions for such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights of the holders thereof. The "Preliminary Official Statement" and the "Official Statement" in final forms, and any advertisement of the Bonds are not to be construed as a contract or agreement between the Municipality and the purchasers of any of the Bonds. Any statements or information printed in the "Preliminary Official Statement" and the "Official Statement", in final forms, involving matters of opinion or of estimates, whether or not expressly so identified, is intended merely as such and not representations of fact.

The Municipality has deemed this "Official Statement" as "final" as of its date within the meaning of Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC") (the "Rule").

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CERTIFICATION OF THE MUNICIPALITY

At the time of payment for and delivery of the Bonds, the Municipality will furnish the purchaser a certificate, signed by the Mayor and City Recorder/CFO, to the effect that (a) the descriptions and statements of or pertaining to the Municipality contained in its “Official Statement” and any addendum thereto, for its Bonds, on the date of such “Official Statement”, on the date of sale of the Bonds and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Municipality and its affairs, including its financial affairs, are concerned, such “Official Statement” did not and does not contain an 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 the light of circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data of or pertaining to entities other than the Municipality, and their activities contained in such “Official Statement” are concerned, such statements and data have been obtained from sources which the Municipality believes to be reliable and that the Municipality has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the Municipality since June 30, 2016, the date of the last audited financial statements of the Municipality, the electronic link to which appears in “APPENDIX D: Comprehensive Annual Financial Report”.

/s/ John
Clark Mayor

ATTEST:

/s/ James H. Demming
Chief Financial Officer and City Recorder

APPENDIX A

FORMS OF LEGAL OPINIONS

Attorneys at Law

Alabama
Florida
Georgia
Louisiana
Mississippi
South Carolina
Tennessee
Texas
Washington, DC

September 8, 2017

Board of Mayor and Aldermen
City of Kingsport, Tennessee

Office: 615-259-1450
Fax: 615-259-1470

Re: \$14,855,000 General Obligation Public Improvement Bonds, Series 2017A

Ladies and Gentlemen:

We have acted as bond counsel in connection with, and have examined a certified copy of the record of the proceedings of the Board of Mayor and Aldermen (the “Board”) of the City of Kingsport, Tennessee (the “Municipality”), and other proofs submitted to us relating to the authorization, issuance and sale by the Municipality of its \$14,855,000 General Obligation Public Improvement Bonds, Series 2017A, dated the date of original issuance and delivery (the “Bonds”). The Bonds are issued under and pursuant to that certain “Resolution Authorizing the Execution, Terms, Issuance, Sale, and Payment of Not to Exceed \$15,600,000 General Obligation Public Improvement Bonds, Series 2017A of the City of Kingsport, Tennessee, and Providing the Details Thereof” (the “Resolution”), adopted by the Board on August 1, 2017.

The Bonds are issuable in definitive form as fully registered Bonds, without coupons, are numbered from one upwards, and mature serially on March 1 of the years 2019 through 2032, inclusive, March 1, 2034, and serially on March 1 of the years 2035 through 2037, inclusive. The Bonds will bear interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 2018.

The Bonds are subject to redemption prior to maturity upon the terms and conditions set forth therein and in the Resolution.

Based upon such examination and such other documents, showings, and related matters of law as we deem necessary to render this opinion, we are of the opinion that, under existing law:

(1) Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Constitution and laws of the State of Tennessee as now in force, including particularly Title 9, Chapter 21, Tennessee Code Annotated, as amended, and the Resolution according to its terms, and that the Resolution is valid and binding on the Municipality, enforceable in accordance with its terms.

(2) The Bonds are valid and legally binding obligations of the Municipality payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality, without limitation as to time, rate, or amount, and for which the punctual payment of the principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged.

(3) Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Municipality comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein. We have not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the tax status of the interest on the Bonds.

(4) The Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation within the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. We express no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee.

The rights of owners of the Bonds and the enforceability of the Bonds may be limited by future proceedings under bankruptcy, reorganization, debt arrangements, insolvency, or other laws of general application or principles of equity relating to or affecting the enforcement of creditors' rights.

In rendering the above opinion, we have relied upon the opinion of even date herewith of the Attorney of the Municipality with respect to: (1) the due organization and existence of the Municipality as a valid political subdivision of the State of Tennessee; (2) the right, title, and interest of the present officials of the Municipality to their respective positions; and (3) matters that might be disclosed by an examination of agreements or instruments to which the Municipality is a party or by which it or any of its assets are bound.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion as to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

ADAMS AND REESE LLP

September 8, 2017

Board of Mayor and Aldermen
City of Kingsport, Tennessee

Attorneys at Law

Alabama
Florida
Georgia
Louisiana
Mississippi
South Carolina
Tennessee
Texas
Washington, DC

Office: 615-259-1450
Fax: 615-259-1470

Re: \$11,250,000 General Obligation Public Improvement Bonds, Series 2017B

Ladies and Gentlemen:

We have acted as bond counsel in connection with, and have examined a certified copy of the record of the proceedings of the Board of Mayor and Aldermen (the "Board") of the City of Kingsport, Tennessee (the "Municipality"), and other proofs submitted to us relating to the authorization, issuance and sale by the Municipality of its \$11,250,000 General Obligation Public Improvement Bonds, Series 2017B, dated the date of original issuance and delivery (the "Bonds"). The Bonds are issued under and pursuant to that certain "Resolution Authorizing the Execution, Terms, Issuance, Sale, and Payment of Not to Exceed \$11,750,000 General Obligation Public Improvement Bonds, Series 2017B of the City of Kingsport, Tennessee, and Providing the Details Thereof" (the "Resolution"), adopted by the Board on August 1, 2017.

The Bonds are issuable in definitive form as fully registered Bonds, without coupons, are numbered from one upwards, and mature serially on March 1 of the years 2019 through 2032, inclusive, March 1, 2034, and serially on March 1 of the years 2035 through 2037, inclusive. The Bonds will bear interest payable semiannually on March 1 and September 1 of each year, commencing March 1, 2018.

The Bonds are subject to redemption prior to maturity upon the terms and conditions set forth therein and in the Resolution.

Based upon such examination and such other documents, showings, and related matters of law as we deem necessary to render this opinion, we are of the opinion that, under existing law:

(1) Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to the Constitution and laws of the State of Tennessee as now in force, including particularly Title 9, Chapter 21, Tennessee Code Annotated, as amended, and the Resolution according to its terms, and that the Resolution is valid and binding on the Municipality, enforceable in accordance with its terms.

(2) The Bonds are valid and legally binding obligations of the Municipality payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality, without limitation as to time, rate, or amount, and for which the punctual payment of the principal of an interest on the principal of and interest on the Bonds, the full faith and credit of the Municipality are irrevocably pledged. To the extent the proceeds of the Bonds are used to fund projects for the Municipality's water and sewer system, such Bonds are additionally payable from, but not secured by, revenues to be derived from the operation of the Municipality's water and sewer system.

(3) Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Municipality comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Municipality has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. We express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein. We have not undertaken to advise in the future whether any events after the date of execution and delivery of the Bonds may affect the tax status of the interest on the Bonds.

(4) The Bonds and interest on the Bonds are exempt from all state, county, and municipal taxation within the State of Tennessee, except to the extent that interest on the Bonds is included within the measure of certain privilege and excise taxes imposed under Tennessee law. We express no opinion regarding taxation of the Bonds or interest on the Bonds in any state other than Tennessee.

The rights of owners of the Bonds and the enforceability of the Bonds may be limited by future proceedings under bankruptcy, reorganization, debt arrangements, insolvency, or other laws of general application or principles of equity relating to or affecting the enforcement of creditors' rights.

In rendering the above opinion, we have relied upon the opinion of even date herewith of the Attorney of the Municipality with respect to: (1) the due organization and existence of the Municipality as a valid political subdivision of the State of Tennessee; (2) the right, title, and interest of the present officials of the Municipality to their respective positions; and (3) matters that might be disclosed by an examination of agreements or instruments to which the Municipality is a party or by which it or any of its assets are bound.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion as to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

ADAMS AND REESE LLP

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

Kingsport occupies an area of approximately 53 square miles in the northeastern portion of Tennessee. The Municipality is 25 miles northwest of Johnson City and about 23 miles from Bristol, Tennessee/Virginia. Kingsport is the largest City in the Kingsport – Bristol, TN – Bristol, VA Metropolitan Statistical Area, with a population of 309,544 according to the 2010 U.S. Census. Approximately 173,700 people reside within a five mile radius of the city limits.



Kingsport is located in both Hawkins County (Tennessee) and Sullivan County (Tennessee) with approximately 4.0% located in Hawkins County and the remainder in Sullivan County. According to the 2010 U.S. Census, the populations of Sullivan County and Hawkins County were 156,823 and 56,833, respectively. Traditionally, the Municipality has been a regional medical center for the area including southwest Virginia and southeast Kentucky. It is a modern industrial community and one of the State’s leading manufacturing centers.

Census Population	Kingsport ⁽¹⁾	% Increase	Sullivan County	% Increase	Hawkins County	% Increase	Tennessee	% Increase
2016	53,014	9.98%	156,791	(0.04%)	56,471	(0.35%)	6,600,299	4.01%
2010	48,205	7.35%	156,855	2.57%	56,671	5.55%	6,346,105	11.5%
2000	44,905	6.02%	152,921	6.49%	53,689	20.47%	5,689,283	16.7%
1990	36,385	32.25%	143,596	(0.26%)	44,565	1.86%	4,877,185	6.2%
1980	32,027	2.79%	143,968	12.83%	43,751	29.72%	4,591,120	16.9%
1970	31,938	21.37%	127,602	11.56%	33,726	10.69%	3,926,018	10.1%

⁽¹⁾ For 2016, the Bureau of the Census estimated Kingsport’s population to be 53,014.

GENERAL

The Municipality was incorporated in 1917 and has been operated under the Council-Manager form of government since that time. The Board of Mayor and Aldermen (the “Governing Body”) was expanded from five to seven members through a charter amendment effective May 15, 1973. In odd numbered years, three members of the Board are elected by the qualified voters of the Municipality for four-year terms beginning at the first regular meeting of the Board in July following the May election. Coincident with the Board elections, a Mayor is elected by the qualified voters of the Municipality to a two-year term beginning at the first regular meeting of the Board in July following the election. The Board appoints a City Manager who is responsible for the administration of the Municipality according to the Charter and Ordinances in effect. The City Manager appoints various department heads, officials and employees except those who operate and administer the Municipality’s School System. The Municipality’s School System is governed

by a five-member Board of Education. In each odd numbered year, two or three members are elected by the qualified voters of the Municipality. The Board of Education is responsible for the hiring of a Director of Schools and other personnel, formulating policies and operating the school system within the framework of state statutes, the City Charter and City Code.

Pay scales for employees and officials of all departments are approved by the Board and all appropriations of funds are made by the Governing Body.

For additional information on the Municipality, see the website:
<http://www.kingsporttn.gov/>

EDUCATIONAL OPPORTUNITIES

Kingsport and the upper East Tennessee area offer a wealth of educational opportunities for residents and their families. The Kingsport City School system and the Sullivan County School system are pre-K through 12 systems that serve residents of the Municipality.

Kingsport City Schools. The Kingsport City School system is governed by a five member board elected-at-large on a non-partisan basis. The Board operates 8 elementary schools, 2 middle schools and a high school. Additionally, there are several specialized education programs including the Cora Cox Academy which is an alternative learning facility for students in grades 6 through 12 and the Palmer Early Learning Center provides early educational opportunities for children from birth through the age of 5.

Source: Kingsport City School website: <http://www.k12k.com/>

School Enrollment:

FYE 2017	7,385
FYE 2016	7,151
FYE 2015	7,038
FYE 2014	7,010
FYE 2013	6,798
FYE 2012	6,698
FYE 2011	6,556
FYE 2010	6,439
FYE 2009	6,392
FYE 2008	6,396

Source: City of Kingsport; Kingsport City Schools Annual Report

Sullivan County Schools. The Sullivan County School system includes 24 schools composed of 12 elementary schools; 8 middle schools and 4 high schools.

Source: Sullivan County Department of Education website: <http://www.sullivank12.net/schools/>

In 2000, Kingsport became the first jurisdiction in the State to institute a K-14 educational system. This program known as “Educate and Grow” provides two years of free tuition to Northeast State Technical Community College (“Northeast State”). Since 2002, graduating high school seniors whose parents have been residents of the Sullivan County portion of the Municipality for one year are eligible for free tuition paid for by Sullivan County. Kingsport offers

and pays for the same program benefits for graduating high school seniors whose parents have been residents of the Hawkins County portion of the Municipality for one year.

The “Educate and Grow” initiative was a pre-cursor to the State’s new “Drive to 55” program. Drive to 55 is Tennessee’s new Promise scholarship program that has set a goal of equipping at least 55% of Tennesseans with a college degree or certificate by 2025. Drive to 55 provides tuition-free community or technical college for two years to Tennessee high school graduates beginning with the Class of 2015.

Source: City of Kingsport and the State Drive to 55 website <http://driveto55.org/>

Downtown Kingsport Academic Village and Higher Education Center. The Academic Village is located in downtown Kingsport and is composed of the Kingsport Center for Higher Education, the Regional Center for Advanced Manufacturing and the Regional Center for Automotive Programs. The Academic Village boasts nearly 150,000 square feet of classrooms and labs and serves approximately 2,400 students. Since 2012, oversight of the Academic Village has been provided by a 12-member Kingsport Higher Education Commission created by the Municipality to coordinate overall development of future programs.

The *Kingsport Center for Higher Education* offers programs ranging from associate to doctoral degrees. Programs are currently conducted at the Center by East Tennessee State University, King University, Lincoln Memorial University, Milligan College, Northeast State Community College, Tusculum College and the University of Tennessee.

The *Advanced Manufacturing Center (“RCAM”)*. RCAM is Northeast State Community College’s advanced technology center. RCAM is housed in a 26,000 square foot training facility located in downtown Kingsport. The focus for RCAM is on teaching traditional and non-traditional students and current employees advanced manufacturing skills using the latest manufacturing simulators and techniques. In 2016, RCAM added additional classrooms and lab space totaling approximately 15,000 square feet.

The *Regional Center for Automotive Programs* is Northeast State’s training program focusing on automotive body/collision repair.

Source: Kingsport Academic Village website: <http://www.kingsporthighered.org/>

East Tennessee State University (“ETSU”). ETSU was founded in 1911 in the northeast corner of Tennessee. The more than 350-acre campus is located in southwest Johnson City, adjacent to the 31-acre campus that is home to the James H. Quillen College of Medicine. The Johnson City Medical Center Hospital is also located nearby. ETSU offers 74 majors of study in its undergraduate program and 30 degree fields in its master’s programs and doctorates in education, education administration and biomedical sciences. In the spring of 2017, approximately 14,334 undergraduate, graduate and professional students were enrolled. Extended regional campuses are in Kingsport, Elizabethton and Greeneville. In addition, the Quillen College of Medicine offers eight Doctor of Medicine degrees.

Instead of having only one teaching hospital, the Quillen College of Medicine has a broad patient base in the Tri-Cities region with training in every area of primary and tertiary care medicine. Students are provided access to more than 3,000 patient beds in the ten affiliated

hospitals in the Tri-Cities area. The Quillen College of Medicine ranked third in the nation for excellence in rural medicine education by U.S. News & World Report in its "America's Best Graduate Schools" 2007 edition. For several consecutive years, ETSU has been ranked among the top 10 schools in the country for rural medicine. U.S. News also ranked ETSU in the top 25% of medical schools for primary care education. The Medical College has also brought specialties to Johnson City that normally could not be expected in a community of this size. The first in-vitro fertilization in Tennessee was done in Johnson City. One of five prenatal intensive care facilities in the state is manned by pediatric specialists of the Medical College faculty. Kidney transplants and open heart surgery are available in Johnson City as result of the medical college being located here.

ETSU's Bill Gatton College of Pharmacy is Tennessee's second state supported college of pharmacy. It opened in early 2007 with 72 students. The average class size is about 80 students with approximately 50 faculty and staff employed. Students have routinely scored above state and national average on licensure exams. The Pharmacy College received full accreditation status from the Accreditation Council for Pharmacy Education in 2010. The Bill Gatton College of Pharmacy offers the PharmD degree but is in current conversation with other colleges with the division of health sciences and the University at large investigating the development of joint degree programs (PharmD/MPH, PharmD/MBA and PharmD/Phd). College enrollment is more than 300 in 4 classes. Projected enrollment in the future is currently limited to 80 students per class (320 students).

Source: East Tennessee State University and TN Higher Education Commission

Milligan College. Milligan is a private, four-year Christian liberal arts college founded in 1866. Milligan's 181-acre campus is located between Johnson City and Elizabethton just minutes from the Tri-Cities (Johnson City, Kingsport and Bristol) region and an hour's drive to historic Asheville, North Carolina. Spring 2017 enrollment was approximately 1,194 students. The College offers more than 100 majors academic majors, including a new engineering program, 4 master's degree programs and several adult degree completion programs.

Source: Milligan College

Northeast State Technical Community College. Northeast State was founded in 1966 as the Tri-Cities State Area Vocational-Technical. The school has three campuses in the area, one of which is a recent addition to downtown Johnson City. The downtown Johnson City campus offers a variety of classes that are designed for students planning to enter the workforce or continue to a four-year university. The main campus is located at Blountville in Sullivan County, Tennessee. The College is a comprehensive two-year community college under the governance of the Tennessee Board of Regents of the State University and Community College System of Tennessee. As a comprehensive community college, Northeast State provides university parallel programs designed for students desiring to transfer to another college or university. It also has career programs for students planning to enter the workforce immediately upon graduation and continuing education and community service programs for professional growth and personal enrichment. The College serves the citizens of Carter, Johnson, Sullivan, Unicoi, and Washington Counties and has educational sites located at Elizabethton, Mountain City, Gray, Kingsport and Johnson City.

Source: Northeast State Technical Community College and TN Higher Education Commission

HEALTH CARE

Wellmont Health System (“Wellmont”). Wellmont is headquartered in Kingsport and is a leading healthcare provider in the Tri-Cities region of Northeast Tennessee and Southwest Virginia. Formed in 1996 with the merger of Holston Valley Medical Center in Kingsport and Bristol Regional Medical Center in Bristol, Tennessee, Wellmont is a not-for-profit, integrated health system composed of one critical and five acute care wholly owned hospitals totaling more than 750 available beds, an integrated physician network and several ambulatory sites. Wellmont hospitals offer a variety of services ranging from acute care to specialized tertiary services including two trauma centers, comprehensive heart and cancer care. Acute care hospitals include Holston Valley Medical Center in Kingsport, Bristol Regional Medical Center (Bristol, TN), Mountain View Regional Medical Center (Norton, VA), Lonesome Pine Hospital (Big Stone Gap, VA), Hancock County Hospital (Sneedville, TN) and Hawkins County Memorial Hospital (Rogersville, TN).

For additional information regarding the Wellmont System, see the section entitled “Recent Developments” and their website: www.wellmont.org.

Holston Valley Medical Center. Partnering with and serving the Kingsport community for more than 75 years, Holston Valley Medical Center is wholly owned by Wellmont and houses one of Tennessee's six Level I trauma centers. It also includes a Level III neonatal intensive care unit. Holston Valley has more than 300 available beds also houses operating suites and a new intensive care unit, as well as expanded emergency and radiology departments, all of which were part of a recent \$114 million facility renovation.

With the Wellmont Cancer Institute, Holston Valley's Christine LaGuardia Phillips Cancer Center provides a full range of diagnostic and treatment options. Holston Valley's breast center is Tennessee's first hospital-based breast program to be accredited by the American College of Surgeons' National Accrediting Program for Breast Centers. And CareChex selected Holston Valley as the No. 1 hospital in the nation for carotid artery stenting in 2012 and ranked Holston Valley among the top 100 hospitals in the nation for cardiac care, cardiac surgery and coronary bypass surgery.

Source: Wellmont Health website <http://www.wellmont.org/>

Indian Path Medical Center. This 261 bed facility is a not-for-profit facility located in Kingsport. Since 1998, Indian Path has been part of the Johnson City based Mountain States Health Alliance after its founding as an HCA facility in 1971. Indian Path sits on an 80 acre campus and includes not only the main hospital, but also eight medical office buildings.

Source: Mountain States Health Alliance website: <http://ipmc.msha.com/>

Holston Medical Group (“HMG”). Since Holston Medical Group's founding in 1977, the HMG "Family of Care" has grown from a handful of family practitioners to a comprehensive, diversified group of nearly 150 primary care physicians, specialists and mid-level providers, with 24-hour medical /surgical coverage. Located in Kingsport, HMG is one of the largest, most-respected, physician-led, multi-specialty groups in the southeastern United States.

Source: Holston Medical Group website: <http://www.holstonmedicalgroup.com/>

Mountain States Health Alliance. Mountain States Health Alliance ("MSHA") is a locally owned and managed healthcare system based in Johnson City. MSHA was formed after Johnson City Medical Center Hospital, Inc. acquired six Columbia/HCA hospitals in Northeast Tennessee on September 1, 1998. Today, MSHA provides an integrated, comprehensive continuum of care to people in 28 counties in Tennessee, Virginia, Kentucky, and North Carolina. In addition to the six open hospitals, MSHA's integrated health care delivery system includes 21 primary/preventive care centers and 13 outpatient care sites, including First Assist Urgent Care, Medical Center North, Med-One of Tennessee, MedWorks, Same Day Surgery, Rehab Plus and Gray Physician Group.

Source: Mountain States Health Alliance and the Johnson City Press

For additional information regarding the Mountain States Health Alliance, see the section entitled "Recent Developments" and their website: www.msha.com.

James H. Quillen VA Medical Center at Mountain Home (the "VAMC"). Since 1903, VAMC serves more than 170,000 veterans from a 41-county area of Northeast Tennessee, Southwest Virginia, Western North Carolina, and Southeastern Kentucky. The VAMC at Mountain Home is located in Johnson City on 207 landscaped acres and shares the west end of its campus with ETSU's College of Medicine. The VAMC is a teaching hospital and has affiliations with the James H. Quillen College of Medicine as well as numerous other institutions of higher learning for various internships. VAMC Mountain Home has 468 general and 646 domiciliary beds. In addition to the main facility in Mountain Home, services are offered in several community-based outpatient clinics. There are seven clinics in Tennessee and thirteen in Virginia. In recent years, the VAMC completed many renovations including a \$70,000,000 modernization project in conjunction with the facility's role with ETSU's James H. Quillen College of Medicine.

Source: United States Department of Veterans Affairs.

For additional information on VAMC Mountain Home, see their website: www.mountainhome.va.gov.

MANUFACTURING, COMMERCE AND THE LOCAL ECONOMY

General. Kingsport continues to maintain a strong focus on economic diversification, with a particular emphasis on sports tourism. Thousands have visited Kingsport for more numerous sporting tournaments and other events recruited and hosted by the Kingsport Convention & Visitors Bureau. Other major tourism dollars were contributed from attendance at major events including NASCAR races at Bristol Motor Speedway and various conferences and events held at the Meadowview Conference, Convention and Resort Center and Kingsport's Aquatic Center. Additionally a week long FunFest Summer Festival brings in over tens of thousands of visitors.

Eastman Chemical Company, Inc. (NYSE Symbol: EMN). Eastman is a global specialty chemical company that produces a broad range of products found in items people use every day. With a portfolio of specialty businesses, Eastman works with customers to deliver innovative products and solutions while maintaining a commitment to safety and sustainability. Its market-driven approaches take advantage of world-class technology platforms and leading positions in attractive end-markets such as transportation, building and construction, and consumables. Eastman focuses on creating consistent, superior value for all stakeholders. As a globally diverse company, Eastman serves customers in approximately 100 countries. The company is headquartered in Kingsport, Tennessee, USA and employs approximately 15,000 people around the

world. While headquartered in Kingsport, only 45% of Eastman's market is in North America. The company's new 300,000 square foot Corporate Business Center was completed and occupied in 2016. The company is continuing its long term commitment to invest \$3 billion into the Kingsport facility, which ensures the global headquarters will remain in Kingsport for the long term.

For additional information, see Eastman's website:
<http://www.eastman.com/Company/Pages/Home.aspx>

Two decades ago, Eastman Chemical accounted for approximately 40.0% of all property tax valuation in the Municipality. Today, that ratio is in the range of 23.0%, largely due to the growth of commercial, medical, retail and residential sectors.

RECENT DEVELOPMENTS

Allendale Crossing. Located on Stone Drive, approximately 14.5 acres of a site that formerly housed an armory, plans are underway to develop 5 sites for restaurants, a convenience store, a 3,500 square foot retail building and a larger 29,000 square foot retail location. Other development opportunities may occur on an adjacent 5-acre tract. Initial stages of development will include entrance roads and interconnecting roadways which will tie the site with other existing development and assure good access to Stone Drive (U.S. Highway 11-W).

Source: The Kingsport Times-News, June 11, 2017

ALDI Expansion. In January 2015, ALDI, a discount grocery store, opened a new store in Kingsport. Recently as part of a nation-wide expansion, plans were announced to increase the existing store by 1,300 square feet to nearly 19,000 square feet at a cost in excess of \$1 million.

Source: The Kingsport Times-News, May 25, 2017

Town Park Lofts. Early in 2017, the Municipality approved an incentive package wherein Crossgate Partners would retire the remaining debt and enter into a long-term lease to redevelop a portion of a vacant tract in downtown formerly used as a supermarket and known as supermarket row. As part of the transaction, the company would receive property tax abatement (PILOT) for 7 years. The company plans to invest approximately \$32 million to develop a 4-story apartment complex. The project to be known as Town Park Lofts will include approximately 262 units featuring a number of upscale amenities. The transaction is expected to close in late summer or early fall of 2017 following a fire in late May which destroyed the vacant existing building on the project site.

Source: The Kingsport Times-News, May 20, 2017 and July 19, 2017

The Blake at Kingsport. The Blake at Kingsport is a new assisted living facility representing \$21.5M of new construction in the Colonial Heights area of Kingsport. It will employ more than 80 skilled nurses and medical professionals.

Sara Lee. Sara Lee bakeries located a new distribution hub in Kingsport near the Tri-Cities Airport. It included an investment of \$2M in a 14,000 square feet center and will employ 35 workers.

Meade Tractor. Meade Tractor announced in mid-July 2017 that it will consolidate its operations from three states into a new \$4 million office and retail facility in Kingsport (Tri-Cities Crossing) in early 2018 and employ approximately 30. For additional information, see the section entitled “Recent Developments - *Border Region Retail Tourism District*”.

Agero. In 2016, Agero, a provider of advanced mobile technologies, opened its seventh call center just a few miles outside of Kingsport on the Blountville-Bristol border. Agero has already hired about 500 associates with plans to add 150 more employees within the next year.

Phipps Bend. At the Phipps Bend Industrial Park in nearby Surgoinsville (Hawkins County), several recent projects have been announced:

- *Bharat Forge* recently purchased Walker Forge and plans to increase employment by 60 to 100 people. The acquisition will allow Bharat to establish a North American footprint for carbon, high-alloy steel parts and new end market products for passenger car and commercial vehicle markets, as well as in industrial, construction, mining and related sectors.
- *Homeland Vinyl* – Two years after purchasing a former plastic components plant (EPC), Homeland Vinyl, a producer of fencing, rail and decking products, announced on May 12, 2017 the completion of a 50,000 square foot building expansion that will lead to 50 new jobs.
- *Miyake Forging*, an automotive supplier, announced plans in early June 2017 to invest \$13.5 million in constructing a new 45,000 sq. foot facility to produce automotive bearing parts and will create approximately 60 new jobs. The new plant is expected to be operational in early 2018.
- *Cooper Standard*, another automotive supplier in the park, announced in July 14, 2017 that it will invest \$1 million in new equipment to expand its manufacturing capabilities for coolant tube and hose assemblies, transmission cooling lines and fuel and brake lines. The expansion will create about 98 new jobs. Current employment is approximately 380.

Source: NETWORKS Sullivan County Partnership, various news accounts

Forward Air. Greene County-based Forward Air’s recent expansion announcement will mean some 200 more drivers to be hired and based out of its Kingsport facility.

Sanitation Fee. In June, 2016, the Municipality approved its first sanitation fee which is expected to generate \$2,400,000 annually. The expense of sanitation and solid waste services have been borne by the property tax throughout the Municipality’s history, in spite of recommendations to move towards an enterprise fund. The standard fee of \$8 per month will cover approximately 62% of the cost of solid waste management with the potential to shift to a full enterprise fund incrementally in future years.

AEP Franchise Agreement. In March 2016, the Municipality approved a new franchise agreement with Kingsport Power Company (dba AEP Appalachian Power). This agreement has a 20-year term and includes a provision to establish a franchise fee. The Municipality subsequently adopted a new franchise fee which is expected to result in approximately \$3,900,000 annually. The new franchise agreement replaces the original agreement with the power company adopted in 1917.

MSHA and Wellmont Proposed Merger. On April 2, 2015, MSHA and Wellmont Health System announced that they had agreed to exclusively explore the creation of a new, integrated and locally governed health system. Both organizations have been working with the public during community roundtables to share news about the process. Documents have been filed with the State of Tennessee and the Commonwealth of Virginia seeking required approval including a Certificate of Public Advantage (“COPA”) and as of January 2017, the State of Tennessee has granted them an extension to supplement their application for the combined system with a decision targeted for mid - September 2017. If approved, the COPA would protect the merger from federal antitrust activities. The systems previously filed a pre-submission report with the departments of health in Tennessee and Virginia in which they expressed a pledge to keep all current hospitals in operation as health care institutions for at least 5 years and to maintain the 3 major tertiary care hospitals in Bristol, Tennessee, Kingsport, and Johnson City.

Source: Mountain States Health Alliance, Wellmont Health System and various news articles

Pure Foods. In March 2015, this Canadian based company announced a decision to move its U.S. headquarters to Kingsport, including a \$22 million investment in a new manufacturing facility and the creation of 273 new jobs. Pure Foods, Inc., - a maker of gluten-free snack foods - established its U.S. headquarters in an existing 83,000 square foot building in the Gateway Commerce Park off Interstate 26. The facility opened on January 29, 2016. In February 2017, the Pure Foods filed for Chapter 11 reorganization bankruptcy protection following a production stoppage in October 2016. In March 2017, Memphis based Brimhall Foods, the parent of Brim’s Snacks acquired the equipment formerly held by Pure Foods. In June 2017, Kingsport Foods Company (a newly formed Tennessee Corporation managed by Brimhall Foods) entered into a 10 year building lease with the Industrial Development Board of Kingsport, Tennessee. For additional information, see the section entitled “Contingent Liabilities – Tri-Cities Crossing”.

Source: Various news accounts and City officials.

New Multi-family Housing. In September 2015, the Board of Mayor and Aldermen approved two redevelopment plans and tax increment financing incentives (TIF) for new apartment complexes, the River Bend Villa Apartments and the Overlook at Indian Trail. The incentives were considered after a market study was conducted by the Kingsport Economic Development Board revealed that the market has demand for approximately 600 new apartment units in the next three years. This discovery led to a focus on recruiting developers with proven apartment experience into the area.

The River Bend Villas project will include 265 units in a mix of one, two and three bedroom units. Amenities include garages, clubhouse and pool facilities. The estimated construction cost is \$20,400,000 and the developer’s tax increment financing (“TIF”) incentive is estimated to be \$2,000,000 over a period of 15 years. The project is located adjoining a future municipal park with more than 26 acres of riverfront access. A portion of the incentive will be returned to the Municipality for development of the park in the amount of \$667,000. In addition,

considerable commercial development is planned and under construction for the area immediately fronting the state highway also adjoining the apartment property. River Bend Villas opened in mid-2017.

The Overlook at Indian Trail project will include 168 units in a mix of one, two and three bedroom units. Amenities will also include garages, clubhouse and pool facilities. The estimated construction cost is \$17,600,000 and the developer’s TIF incentive is estimated to be \$1,500,000 over a period of 15 years. This project is strategically located to serve the medical community being equidistant from Bristol Regional Hospital, Wellmont Holston Valley Hospital and within minutes of Indian Path Medical Hospital. Additionally, the project adjoins the over 9 mile long greenbelt following creeks and rivers in the Municipality. Combined with the nearby commercial restaurant and retail cluster this will be a desirable residential location.

Source: City of Kingsport

Border Region Retail Tourism District (the “Border Region District”). The Border Region District is a 950 acre undeveloped site inside the limits of the City of Kingsport. The District is located at the intersection of Interstate 81 and Interstate 26 which is one of the last major undeveloped intersections fronting those Interstate corridors. The District was created under a State law which authorized eligible communities including Kingsport to capture up to 59.0% of all State sales taxes generated by new retail development in properly constituted areas. Specifically, the law allows such funds to be captured by participating jurisdictions and used for direct capital expenditures or to leverage funding for such projects as needed. The local option sales tax collections would remain for the community’s exclusive use. Currently, a local developer has completed grading on a roughly 150 acres site located within the District. This portion of the District is targeted for future retail and big box building development. A second developer also is considering action in two other quadrants within the District. In addition to Meade Tractor’s announcement in July 2017, several automotive dealerships announced plans to development new facilities in the auto mall at Tri-Cities Crossing in early 2017. For additional information, see the section entitled “Recent Developments – *Meade Tractor*”.

Source: City of Kingsport and various news articles

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EMPLOYMENT - GENERAL

The chart below depicts the average annual employment trends (on a seasonally adjusted basis) for the most recent 10 year period:

<u>Location</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
United States	4.6%	4.6%	5.8%	9.3%	9.6%	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	5.1%	4.7%	6.6%	10.5%	9.8%	9.0%	7.8%	7.8%	6.5%	5.8%
Sullivan County	4.5%	4.1%	5.2%	8.7%	8.4%	7.7%	7.0%	7.5%	6.7%	5.9%
County Workforce	73,620	73,530	74,360	74,970	74,840	76,010	75,060	73,340	69,500	69,140
County Employment	70,320	70,550	70,520	68,420	68,520	70,130	69,840	67,810	64,860	65,030
Co. Unemployment	3,300	2,980	3,840	6,550	6,320	5,880	5,220	5,530	4,640	4,110
Kingsport	6.4%	5.6%	7.1%	8.6%	9.4%	8.4%	7.6%	8.0%	6.5%	n/a
City Workforce	19,030	19,000	19,380	19,150	19,320	20,840	20,970	21,530	22,470	n/a
City Employment	17,810	17,940	18,000	17,500	17,500	19,100	19,370	19,800	21,000	n/a
City Unemployment	1,220	1,070	1,380	1,660	1,820	1,740	1,600	1,730	1,460	n/a

Source: Tennessee Department of Employment Security, Annual Labor Force Estimates Summary

PRINCIPAL EMPLOYERS

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Eastman	6,500	1	9.5%	8,000	1	11.4%
Wellmont Health Systems	2,947	2	4.3%	2,000	2	2.9%
Brock	1,450	3	2.1%	N/A		
Kingsport City Schools	1,092	4	1.6%	1,037	3	1.5%
BAE Systems	850	5	1.2%	428	9	0.6%
City of Kingsport	739	6	1.1%	745	7	1.1%
Jacobs Engineering	663	7	1.0%	N/A		
Holston Medical Group	523	8	0.8%	890	5	1.3%
Mountain States Health	501	9	0.7%	845	6	1.2%
Eastman Credit Union	497	10	0.7%	N/A		
Wal-Mart	N/A			900	4	1.3%
AFG Industries	N/A			600	8	0.9%
Domtar	N/A			370	10	0.5%
	<u>15,762</u>		<u>23.0%</u>	<u>15,815</u>		<u>22.6%</u>

Total Sullivan County Employment:

FYE 2017 68,650

FYE 2008 70,080

Source: City of Kingsport – July 2017 and NETWORKS/Sullivan County Partnership and Employers

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ECONOMIC DATA

The following chart shows estimated per capita personal income trends for the most recent 10 year period for the nation, State and the Municipality.

<u>Location</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
National	\$47,669	\$46,049	\$44,438	\$44,266	\$42,453	\$40,277	\$39,376	\$41,082	\$39,821	\$38,144
Tennessee	\$42,069	\$40,457	\$39,312	\$39,137	\$37,323	\$35,601	\$34,468	\$35,307	\$34,227	\$33,072
Kingsport	\$35,912	\$35,264	\$34,975	\$32,390	\$31,697	\$29,730	\$29,730	\$28,222	\$29,549	\$27,163
City vs. National	75.3%	76.6%	78.7%	73.2%	74.7%	73.8%	75.5%	68.7%	74.2%	71.2%
City Vs. TN	85.4%	87.2%	89.0%	82.8%	84.9%	83.5%	86.3%	79.9%	86.3%	82.1%

Source: U Source: U.S. Department of Commerce, Bureau of Economic Analysis – CA1-3 and SA1 Personal Income Summary and the City

The following chart depicts building permit activity in the Municipality from fiscal year 2008 through 2017:

<u>FYE</u>	<u>Permits Issued</u>	<u>Estimated Value</u>
2017	551	\$115,441,000
2016	606	87,070,000
2015	1,367	82,349,000
2014	600	128,262,000
2013	632	61,991,466
2012	741	75,196,403
2011	531	65,620,983
2010	581	56,285,000
2009	631	123,745,000
2008	884	180,938,000

Source: City of Kingsport, Tennessee

ANNEXATION

Over the last several years, the Municipality has undertaken a series of annexations by ordinance (referendum was also permitted) that were carried out under the requirements of State law (1998 Urban Growth Planning Act) and in a manner consistent with adopted 20 year urban growth plans for Sullivan and Hawkins Counties. Many services are in place and others are in the process of being implemented within the specified timeframes of the formal adopted plans required as part of each annexation. There are about 45.7 square miles left in the urban growth area for Sullivan County and about 1.7 square miles in the growth area for Hawkins County that could be subject to future annexation as development activities occur in the area. Decisions to annex areas in the Municipality were determined based on the Municipality’s ability to cost effectively

deliver essential services. A cost benefit analysis was prepared to determine if the cost of extending services to an area could be recovered from the additional property tax collections and per capita state-shared taxes that were generated from the area. Most of the areas considered for annexation were already served by the Municipality's water system and there were a number of existing sewer trunk lines in place to provide service for these areas.

In the 2014 session of the Tennessee General Assembly, the State enacted new legislation (Public Acts of 2014, Chapter 707) that generally prohibited future annexations by ordinance. Under the new law, residential and agricultural properties only may be annexed by cities upon petition of the property owners or through a referendum resulting in favorable approval from residents in an affected area. A city may no longer annex by ordinance on its own initiative.

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CITY OF KINGSPORT, TENNESSEE
DEBT STRUCTURE - SUMMARY OF BONDED INDEBTEDNESS
As of June 30, 2017 Plus the Bonds

Amount Issued ⁽¹⁾	Purpose	Due Date	Interest Rates	Debt Outstanding
\$ 3,524,680	Qualified Zone Academy Bonds, Series 2004	2021	0.000%	\$ 881,170
1,549,000	Qualified Zone Academy Bonds, Series 2005	2021	0.000%	413,067
19,360,000	General Obligation School and Public Improvement Bonds, Series 2007	February 2027	4.000 - 5.000%	1,040,000
1,200,000	Water Revenue and Tax Bonds, Series 2008	March 2023	3.500 - 4.250%	90,000
7,480,000	General Obligation Public Improvement and Refunding Bonds, Series 2008	March 2028	3.500 - 4.000%	750,000
11,165,000	General Obligation Bonds, Series 2008	March 2028	3.500 - 4.375%	1,120,000
9,800,000	TMBF Loan, Series 2008	May 2026	Variable	5,938,196
12,160,000	General Obligation Public Improvement Bonds, Series 2009A	March 2029	4.500 - 5.000%	1,160,000
7,100,000	General Obligation Bonds, Series 2009B	March 2029	3.000 - 5.000%	680,000
15,180,000	Local Option Sales Tax Revenue and Tax Bonds, Series 2009C (Meadowview)	March 2029	4.500 - 5.000%	1,445,000
26,415,000	2009D BABS General Obligation Public Improvement Bonds	March 2030	2.250 - 5.625%	20,155,000
14,225,000	General Obligation Bonds, Series 2009E (Aquatic Center)	March 2030	3.000 - 5.000%	2,090,000
1,240,000	QSCB Loan 2009 (Schools)	July 2026	1.515	704,830
16,140,000	General Obligation Public Improvement Bonds, Series 2011	March 2032	2.000 - 3.750%	13,975,000
3,110,000	General Obligation Bonds, Series 2012A (Sales Tax)	April 2032	2.000 - 5.000%	2,710,000
9,970,000	General Obligation Refunding Bonds, Series 2012B	April 2019	3.000%	2,950,000
9,305,000	General Obligation Public Improvement Bonds, Series 2012C	April 2019	2.000 - 4.000%	7,560,000
43,095,000	General Obligation Refunding Bonds, Series 2013	May 2027	2.500 - 4.000%	27,945,000
1,310,000	General Obligation Bonds, Series 2013A	March 2034	3.000 - 4.000%	1,165,000
27,510,000	General Obligation Improvement Bonds, Series 2013B	March 2034	2.000 - 5.000%	24,440,000
15,605,000	General Obligation Public Improvement Bonds, Series 2014A	Sept. 2034	2.000 - 5.000%	15,080,000
9,300,000	General Obligation Public Improvement Bonds, Series 2014B	Sept. 2034	2.000 - 5.000%	8,910,000
15,000,000	Drinking Water State Revolving Fund Loan (SRF Loan) - 2015	Pending - 20 Years	1.78%	12,871,681
17,695,000	General Obligation Refunding Bonds, Series 2015	March 2028	2.000 - 4.000%	17,400,000
15,105,000	General Obligation Refunding and Improvement Bonds, Series 2015A	March 2036	2.000 - 4.000%	14,670,000
16,580,000	General Obligation Refunding Bonds, Series 2016A	March 2029	2.000 - 4.000%	16,580,000
13,360,000	General Obligation Refunding Bonds, Series 2016B	March 2030	2.000 - 4.000%	13,360,000
21,335,000	General Obligation Public Improvement Bonds, Series 2016	March 2036	2.000 - 4.000%	21,335,000
856,000	HUD - 108 Loan	August 2030	2.200 - 4.480%	598,000
5,000,000	Energy Efficiency School Initiative Loan 822-001 ⁽²⁾	November 2024	0.750%	3,136,743
\$ 370,674,680	Total Existing Debt			\$ 241,153,687
14,885,000	General Obligation Public Improvement Bonds, Series 2017A	March 2037		14,885,000
11,250,000	General Obligation Public Improvement Bonds, Series 2017B (Water and Sewer Supported)	March 2037		11,250,000
\$ 385,559,680	Total Existing / Proposed Debt			\$ 267,288,687
	Less: Revenue Supported Bonds ⁽²⁾			(138,272,488)
\$ 385,559,680	Net Direct Debt			\$ 129,016,199

(1) Does not include capitalized leases or compensated absences, if any. Inter-fund loans are not included. Also not included is the Municipality's contingent liabilities. For more information on contingent liabilities, see page B-22 and the Comprehensive Annual Financial Reports and the Notes to the Financial Statements referenced in Appendix D. See "MISCELLANEOUS - Additional Debt Obligations" for more information.

(2) Revenue Supported Debt includes debt that is supported by Regional Sales Tax Revenues and by the Water and Sewer and Storm Water Enterprise Fund revenues. Includes only that amount of the \$15,000,000 Drinking Water State Revolving Fund Loan (SRF) - 2015 that has been drawn down (\$12,871,681 as of June 30, 2017). The final amortization schedule been set as June 30, 2017. Storm Water and Solid Waste enterprise debt is not fully supported by respective revenues and is included as general revenue supported debt for illustration purposes (see the subsequent schedules herein). See the section entitled MISCELLANEOUS - Additional Debt Obligations for more information on the SRF Loan.

**CITY OF KINGSPORT, TENNESSEE
INDEBTEDNESS AND DEBT RATIOS**

INTRODUCTION

The information set forth in the following table is based upon information derived from the Comprehensive Annual Financial Reports, including the one for the most recent reporting period which is included as Appendix D. This table should be read in conjunction with those statements. The table does not include future funding plans, if any.

INDEBTEDNESS	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 ⁽¹⁾
TAX SUPPORTED											
General Obligation Bonds ⁽²⁾	\$ 75,037,207	\$ 83,414,174	\$ 107,301,284	\$ 102,991,394	\$ 109,060,780	\$ 116,753,130	\$ 124,047,448	\$ 131,824,589	\$ 127,542,389	\$ 130,586,519	\$ 129,016,199
TOTAL TAX SUPPORTED	\$ 75,037,207	\$ 83,414,174	\$ 107,301,284	\$ 102,991,394	\$ 109,060,780	\$ 116,753,130	\$ 124,047,448	\$ 131,824,589	\$ 127,542,389	\$ 130,586,519	\$ 129,016,199
REVENUE SUPPORTED											
Water & Sewer Bonds, Loans and Sales Tax Supported Debt. Include only the portion of SRF Loans Drawn or Being Amortized ⁽³⁾	\$ 54,028,000	\$ 49,977,000	\$ 97,743,000	\$ 91,559,000	\$ 113,553,142	\$ 109,222,397	\$ 114,405,723	\$ 115,243,589	\$ 111,930,196	\$ 133,192,545	\$ 138,272,488
TOTAL REVENUE SUPPORTED	\$ 54,028,000	\$ 49,977,000	\$ 97,743,000	\$ 91,559,000	\$ 113,553,142	\$ 109,222,397	\$ 114,405,723	\$ 115,243,589	\$ 111,930,196	\$ 133,192,545	\$ 138,272,488
TOTAL DEBT	\$ 129,065,207	\$ 133,391,174	\$ 205,044,284	\$ 194,550,394	\$ 222,613,922	\$ 225,975,527	\$ 238,453,171	\$ 247,068,178	\$ 239,472,585	\$ 263,779,064	\$ 267,288,687
Less: Revenue Supported Debt	(54,028,000)	(49,977,000)	(97,743,000)	(91,559,000)	(113,553,142)	(109,222,397)	(114,405,723)	(115,243,589)	(111,930,196)	(133,192,545)	(138,272,488)
Less: Debt Service Fund Balance	(1,045,000)	(1,172,778)	(676,082)	(495,077)	(169,280)	(21,333)	-	-	-	-	-
NET DIRECT DEBT	\$ 73,992,207	\$ 82,241,396	\$ 106,625,202	\$ 102,496,317	\$ 108,891,500	\$ 116,731,797	\$ 124,047,448	\$ 131,824,589	\$ 127,542,389	\$ 130,586,519	\$ 129,016,199
OVERLAPPING DEBT⁽⁴⁾	\$ 14,602,000	\$ 18,431,987	\$ 24,614,843	\$ 33,183,233	\$ 34,258,402	\$ 40,011,367	\$ 42,526,507	\$ 42,526,507	\$ 53,767,442	\$ 38,598,913	\$ 121,422,736
NET DIRECT & OVERLAPPING DEBT	\$ 88,594,207	\$ 100,673,383	\$ 131,240,045	\$ 135,679,550	\$ 143,149,902	\$ 156,743,164	\$ 166,573,955	\$ 174,351,096	\$ 181,309,831	\$ 169,185,432	\$ 250,438,935
PROPERTY TAX BASE⁽⁵⁾											
Estimated Actual Value	\$ 4,191,243,619	\$ 5,129,398,172	\$ 5,026,784,103	\$ 5,136,863,657	\$ 5,305,111,318	\$ 5,604,513,479	\$ 5,763,618,186	\$ 5,784,231,432	\$ 5,816,219,071	\$ 5,734,328,781	\$ 5,968,712,220
Appraised Value	4,191,243,619	4,380,660,219	4,270,247,541	5,136,863,657	5,305,111,318	5,288,268,400	5,763,618,186	5,784,231,432	5,613,233,025	5,534,200,707	4,760,404,164
Assessed Value	1,297,375,372	1,352,126,208	1,322,721,235	1,606,980,905	1,641,584,382	1,643,256,206	1,678,554,710	1,785,012,769	1,795,858,120	1,771,157,587	1,784,915,122
Source: Tennessee Tax Aggregate Reports.											

⁽¹⁾ Treats Solid Waste and Storm Water as self-supporting debt thereby reducing Net Direct Debt and increasing revenue supported debt by identical amounts. See the Storm Water and Solid Waste

⁽²⁾ Does not include compensated absences, capitalized leases or contingent liabilities. See the Notes to the Financial Statements accessible as indicated in APPENDIX D for additional details.

⁽³⁾ Revenue Supported Debt includes debt that is supported by Regional Sales Tax Revenues and by the Water and Sewer Enterprise Funds revenues. Includes only that amount of the \$15,000,000 Drinking Water State Revolving Fund Loan (SRF) - 2015 that has been drawn down (\$12,871,681 as of June 30, 2017). The final amortization schedule been set as June 30, 2017. Storm Water and Solid Waste enterprise debt is not fully supported by respective revenues but is included as general revenue supported debt in this chart for illustration purposes (see the subsequent schedules herein). See the section entitled MISCELLANEOUS - Additional Debt Obligations for more information on the SRF Loan.

⁽⁴⁾ OVERLAPPING DEBT Includes the Municipality's estimated portion of Sullivan County's debt and Hawkins County's debt - best available information includes estimates.

⁽⁵⁾ The most recent reappraisal of property was effective January 1, 2017 for Sullivan County and January 1, 2016 for Hawkins County.

DEBT RATIOS	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017⁽¹⁾
TOTAL DEBT to Estimated Actual Value	2.60%	4.08%	3.79%	4.20%	4.03%	4.14%	4.27%	4.12%	4.60%	4.48%
TOTAL DEBT to Appraised Value	3.05%	4.80%	3.79%	4.20%	4.27%	4.14%	4.27%	4.27%	4.77%	5.61%
TOTAL DEBT to Assessed Value	9.87%	15.50%	12.11%	13.56%	13.75%	14.21%	13.84%	13.33%	14.89%	14.97%
NET DIRECT DEBT to Estimated Actual Value	1.60%	2.12%	2.00%	2.05%	2.08%	2.15%	2.28%	2.19%	2.28%	2.16%
NET DIRECT DEBT to Appraised Value	1.88%	2.50%	2.00%	2.05%	2.21%	2.15%	2.28%	2.27%	2.36%	2.71%
NET DIRECT DEBT to Assessed Value	6.08%	8.06%	6.38%	6.63%	7.10%	7.39%	7.39%	7.10%	7.37%	7.23%
OVERLAPPING DEBT to Estimated Actual Value	0.36%	0.49%	0.65%	0.65%	0.71%	0.74%	0.74%	0.92%	0.67%	2.03%
OVERLAPPING DEBT to Appraised value	0.42%	0.58%	0.65%	0.65%	0.76%	0.74%	0.74%	0.96%	0.70%	2.55%
OVERLAPPING DEBT to Assessed Value	1.36%	1.86%	2.06%	2.09%	2.43%	2.53%	2.38%	2.99%	2.18%	6.80%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	7.45%	9.92%	8.44%	8.72%	9.54%	9.92%	9.77%	10.10%	9.55%	14.03%
PER CAPITA DEBT RATIOS										
POPULATION ⁽²⁾	44,435	45,763	47,356	49,275	50,561	51,264	51,274	53,028	53,014	53,014
PER CAPITA PERSONAL INCOME ⁽³⁾	\$ 28,222	\$ 29,730	\$ 29,730	\$ 31,697	\$ 32,390	\$ 34,975	\$ 35,264	\$ 35,912	\$ 35,912	\$ 35,912
Estimated Actual Value to POPULATION	\$ 115,436	\$ 109,844	\$ 108,473	\$ 107,663	\$ 110,847	\$ 112,430	\$ 112,810	\$ 109,682	\$ 108,166	\$ 112,587
Assessed Value to POPULATION	\$ 30,429	\$ 28,904	\$ 33,934	\$ 33,315	\$ 32,500	\$ 32,743	\$ 34,813	\$ 33,866	\$ 33,409	\$ 33,669
Total Debt to POPULATION	\$ 3,002	\$ 4,481	\$ 4,108	\$ 4,518	\$ 4,469	\$ 4,651	\$ 4,819	\$ 4,516	\$ 4,976	\$ 5,042
Net Direct Debt to POPULATION	\$ 1,851	\$ 2,330	\$ 2,164	\$ 2,210	\$ 2,309	\$ 2,420	\$ 2,571	\$ 2,405	\$ 2,463	\$ 2,434
Overlapping Debt to POPULATION	\$ 415	\$ 538	\$ 701	\$ 695	\$ 791	\$ 830	\$ 829	\$ 1,014	\$ 728	\$ 2,290
Net Direct & Overlapping Debt to POPULATION	\$ 2,266	\$ 2,868	\$ 2,865	\$ 2,905	\$ 3,100	\$ 3,249	\$ 3,400	\$ 3,419	\$ 3,191	\$ 4,724
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	10.64%	15.07%	13.82%	14.25%	13.80%	13.30%	13.66%	12.58%	13.86%	14.04%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	6.56%	7.84%	7.28%	6.97%	7.13%	6.92%	7.29%	6.70%	6.86%	6.78%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	1.47%	1.81%	2.36%	2.19%	2.44%	2.37%	2.35%	2.82%	2.03%	6.38%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	8.03%	9.65%	9.64%	9.17%	9.57%	9.29%	9.64%	9.52%	8.89%	13.15%

⁽¹⁾ Treats Solid Waste and Storm Water as self-supporting debt thereby reducing Net Direct Debt and increasing revenue supported debt by identical amounts. See the Storm Water and Solid Waste

⁽²⁾ POPULATION data according to: the U.S. Census data and population estimates provided by the City.

⁽³⁾ PER CAPITA PERSONAL INCOME is based upon the most current data available from the Bureau of Economic Analysis and data provided by the Municipality.

CITY OF KINGSPORT, TENNESSEE
DEBT SERVICE REQUIREMENTS - General Fund Supported
As of June 30, 2017 Plus the Bonds

Year Ending June 30	Principal - General Obligation Bonds			Percent Total Debt Retired	Interest - General Obligation Bonds			Total Debt Service Requirements
	Outstanding Debt ⁽¹⁾	Current Issue	Total Principal		Outstanding Debt	Current Issue	Total Interest Net of BABS Subsidy ⁽²⁾	
2018	\$ 8,648,769	\$ -	\$ 8,648,769		\$ 4,618,059	\$ 241,233	\$ 4,859,292	\$ 13,508,061
2019	8,319,846	540,000	8,859,846		4,347,929	501,988	4,849,917	13,709,763
2020	8,268,995	565,000	8,833,995		4,143,693	474,988	4,618,681	13,452,676
2021	8,388,421	595,000	8,983,421		3,878,467	446,738	4,325,204	13,308,625
2022	8,046,663	625,000	8,671,663	34.10%	3,635,197	416,988	4,052,184	12,723,847
2023	8,164,921	655,000	8,819,921		3,367,073	385,738	3,752,811	12,572,732
2024	8,458,506	690,000	9,148,506		3,113,921	352,988	3,466,909	12,615,415
2025	8,335,851	725,000	9,060,851		2,830,705	318,488	3,149,192	12,210,043
2026	8,473,478	760,000	9,233,478		2,558,267	282,238	2,840,505	12,073,983
2027	8,702,667	775,000	9,477,667	69.56%	2,257,742	267,038	2,524,780	12,002,447
2028	6,528,818	795,000	7,323,818		2,001,150	249,600	2,250,750	9,574,568
2029	5,377,265	810,000	6,187,265		1,828,870	233,700	2,062,570	8,249,835
2030	4,225,722	825,000	5,050,722		1,679,768	215,475	1,895,243	6,945,965
2031	3,337,727	850,000	4,187,727		463,618	194,850	658,468	4,846,195
2032	3,431,569	875,000	4,306,569	90.53%	345,324	169,350	514,674	4,821,243
2033	2,444,867	900,000	3,344,867		227,756	143,100	370,856	3,715,723
2034	2,528,812	925,000	3,453,812		146,005	116,100	262,105	3,715,917
2035	1,708,302	955,000	2,663,302		60,093	88,350	148,443	2,811,745
2036	770,000	980,000	1,750,000		23,388	59,700	83,088	1,833,088
2037	-	1,010,000	1,010,000	100.00%	-	30,300	30,300	1,040,300
	<u>\$ 114,161,199</u>	<u>\$ 14,855,000</u>	<u>\$ 129,016,199</u>		<u>\$ 41,527,024</u>	<u>\$ 5,188,945</u>	<u>\$ 46,685,669</u>	<u>\$ 174,691,868</u>

(1) Does not include capitalized leases or compensated absences of inter-fund loans, if any. Debt is secured by the Municipality's "full faith, credit and unlimited taxing power..." (i.e., its "G.O. pledge"). Storm Water and Solid Waste enterprise debt is not fully supported by respective revenues and is not included as general debt in this chart, but is broken out in subsequent charts. Additionally, debt associated with the Meadowview Convention and Conference Center, the Aquatics Center and Cattails Golf Course is also G.O. secured but is fully payable from net revenue or Local Option Sales Taxes located in the district encompassing each of the 3 enterprise activities. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements accessible as indicated in Appendix D.

(2) Interest shown is net of Build America Bonds subsidy for applicable bond issue(s).

CITY OF KINGSPORT, TENNESSEE
DEBT SERVICE REQUIREMENTS - Sales Tax Supported
As of June 30, 2017 Plus the Bonds

Year Ending June 30	Principal - General Obligation Bonds		Percent Total Debt Retired	Interest - General Obligation Bonds		Total Debt Service Requirements
	Outstanding Debt ⁽¹⁾	Total Principal		Outstanding Debt	Total Interest Net of BABS Subsidy ⁽²⁾	
2018	\$ 1,775,000	\$ 1,775,000		\$ 1,000,074	\$ 1,000,074	\$ 2,775,074
2019	1,845,000	1,845,000		962,393	962,393	2,807,393
2020	1,925,000	1,925,000		925,978	925,978	2,850,978
2021	2,005,000	2,005,000		845,773	845,773	2,850,773
2022	2,080,000	2,080,000	46.52%	769,149	769,149	2,849,149
2023	2,150,000	2,150,000		689,543	689,543	2,839,543
2024	2,250,000	2,250,000		607,131	607,131	2,857,131
2025	2,325,000	2,325,000		520,680	520,680	2,845,680
2026	2,420,000	2,420,000		430,834	430,834	2,850,834
2027	2,505,000	2,505,000	87.91%	337,041	337,041	2,842,041
2028	2,585,000	2,585,000		258,997	258,997	2,843,997
2029	2,650,000	2,650,000		198,708	198,708	2,848,708
2030	1,595,000	1,595,000		115,636	115,636	1,710,636
2031	490,000	490,000		65,975	65,975	555,975
2032	510,000	510,000	96.52%	49,950	49,950	559,950
2033	295,000	295,000		33,250	33,250	328,250
2034	305,000	305,000		23,550	23,550	328,550
2035	220,000	220,000		13,500	13,500	233,500
2036	230,000	230,000	100.00%	6,900	6,900	236,900
	<u>\$ 30,160,000</u>	<u>\$ 30,160,000</u>		<u>\$ 7,855,063</u>	<u>\$ 7,855,063</u>	<u>\$ 38,015,063</u>

⁽¹⁾ Does not include capitalized leases, inter-fund loans or compensated absences, if any. Includes debt issued for MeadowView Conference and Convention Center, the Aquatics Center and Cattails Golf Course which is secured by the Municipality's G.O. pledge, but is payable from the net revenues of each enterprise and/or Local Option Sales Taxes generated in the the district encompassing each enterprise activity. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements accessible as indicated in Appendix D.

⁽²⁾ Interest shown is net of Build America Bonds subsidy for applicable bond issue(s).

CITY OF KINGSPORT, TENNESSEE
DEBT SERVICE REQUIREMENTS - Water and Sewer Revenue Supported
As of June 30, 2017 Plus the Bonds

Ending June 30	PRINCIPAL REQUIREMENTS			Total Debt Retired	INTEREST REQUIREMENTS			
	WATER AND SEWER SYSTEM				WATER AND SEWER SYSTEM			
	Outstanding Debt ⁽¹⁾	Current Issue	Total Principal		Outstanding Interest ⁽²⁾	Current Issue	Net of BABS Subsidy ⁽²⁾	Service Requirements
2018	\$ 6,065,000	\$ -	\$ 6,065,000		\$ 2,698,273	\$ 176,298	\$ 2,874,570	\$ 8,939,570
2019	5,285,000	420,000	5,705,000		2,492,232	366,863	2,859,094	8,564,094
2020	4,745,000	440,000	5,185,000		2,329,993	345,863	2,675,855	7,860,855
2021	4,895,000	465,000	5,360,000		2,158,697	323,863	2,482,560	7,842,560
2022	4,580,000	470,000	5,050,000	30.31%	1,999,620	314,563	2,314,183	7,364,183
2023	4,760,000	495,000	5,255,000		1,827,125	291,063	2,118,188	7,373,188
2024	4,825,000	520,000	5,345,000		1,656,024	266,313	1,922,337	7,267,337
2025	4,910,000	545,000	5,455,000		1,479,211	240,313	1,719,524	7,174,524
2026	4,963,196	575,000	5,538,196		1,308,142	213,063	1,521,205	7,059,401
2027	4,445,000	585,000	5,030,000	59.81%	1,133,433	201,563	1,334,996	6,364,996
2028	4,505,000	595,000	5,100,000		980,921	188,400	1,169,321	6,269,321
2029	4,650,000	610,000	5,260,000		829,556	176,500	1,006,056	6,266,056
2030	4,815,000	625,000	5,440,000		668,216	162,775	830,991	6,270,991
2031	4,200,000	640,000	4,840,000		505,761	147,150	652,911	5,492,911
2032	3,240,000	660,000	3,900,000	86.99%	367,610	127,950	495,560	4,395,560
2033	2,580,000	680,000	3,260,000		257,860	108,150	366,010	3,626,010
2034	2,675,000	700,000	3,375,000		167,660	87,750	255,410	3,630,410
2035	1,740,000	720,000	2,460,000		78,769	66,750	145,519	2,605,519
2036	1,145,000	740,000	1,885,000		35,425	45,150	80,575	1,965,575
2037	-	765,000	765,000	100.00%	-	22,950	22,950	787,950
	<u>\$ 79,023,196</u>	<u>\$ 11,250,000</u>	<u>\$ 90,273,196</u>		<u>\$ 22,974,526</u>	<u>\$ 3,873,285</u>	<u>\$ 26,847,811</u>	<u>\$ 117,121,007</u>

⁽¹⁾ Does not include capitalized leases or compensated absences, if any. Debt is secured by the Municipality's "full faith, credit and unlimited taxing power..." (i.e., its "G.O. pledge"), but all debt service is paid from the net revenues of the Municipality's water and sewer system. The \$15,000,000 Drinking Water State Revolving Fund Loan (SRF) - 2015 is not included since it has not been drawn in full (\$12,871,681 as of June 30, 2017) nor has the final amortization schedule been set as June 30, 2017. For more information, see the Summary of Bonded Indebtedness, the section entitled "MISCELLANEOUS - Additional Debt Obligations" and the Notes to the Financial Statements accessible as indicated in Appendix D.

⁽²⁾ Interest shown is net of Build America Bonds full subsidy (excluding sequestration) for applicable bond issue(s).

CITY OF KINGSPORT, TENNESSEE
DEBT SERVICE REQUIREMENTS - Storm Water Enterprise Fund
As of June 30, 2017

Year Ending June 30	<u>Principal - Storm Water Bonds</u>		Percent Total Debt Retired	<u>Interest - Storm Water Bonds</u>		Total Debt Service Requirements
	Outstanding Debt ⁽¹⁾	Total Principal		Outstanding Debt	Total Interest Net of BABS Subsidy ⁽²⁾	
2018	\$ 82,713	\$ 82,713		\$ 65,975	\$ 65,975	\$ 148,688
2019	84,012	84,012		63,014	63,014	147,026
2020	86,443	86,443		59,596	59,596	146,039
2021	89,426	89,426		55,853	55,853	145,279
2022	92,548	92,548	33.29%	51,742	51,742	144,290
2023	95,654	95,654		47,648	47,648	143,302
2024	99,811	99,811		42,944	42,944	142,755
2025	102,175	102,175		38,017	38,017	140,192
2026	105,743	105,743		32,888	32,888	138,631
2027	110,031	110,031	72.57%	27,351	27,351	137,382
2028	114,365	114,365		20,632	20,632	134,997
2029	119,221	119,221		12,989	12,989	132,210
2030	68,957	68,957		5,468	5,468	74,425
2031	27,439	27,439		2,099	2,099	29,538
2032	28,541	28,541	100.00%	1,070	1,070	29,611
	<u>\$ 1,307,079</u>	<u>\$ 1,307,079</u>		<u>\$ 528,355</u>	<u>\$ 527,285</u>	<u>\$ 1,834,364</u>

⁽¹⁾ Does not include capitalized leases, compensated absences, if any or contingent liabilities. Inter-fund loans, if any, are also not included. Storm Water enterprise debt is secured by the Municipality's G.O. pledge since it is not fully supported by revenues, but is broken out for illustration purposes from general revenue supported debt in this chart. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements referenced in Appendix D.

⁽²⁾ Interest shown is net of Build America Bonds subsidy for applicable bond issue(s).

* For the current rates and charges for the Storm Water Fund, see the Comprehensive Annual Financial Report in Appendix D.

CITY OF KINGSPORT, TENNESSEE
DEBT SERVICE REQUIREMENTS - Solid Waste Enterprise Fund
As of June 30, 2017

Year Ending June 30	Principal - Solid Waste Bonds			Interest - Solid Waste Bonds		
	Outstanding Debt ⁽¹⁾	Total Principal	Percent Total Debt Retired	Outstanding Debt	Total Interest Net of BABS Subsidy ⁽²⁾	Total Debt Service Requirements
2018	\$ 265,109	\$ 265,109		\$ 133,990	\$ 133,990	\$ 399,099
2019	275,878	275,878		124,392	124,392	400,270
2020	282,469	282,469		115,352	115,352	397,821
2021	293,243	293,243		105,494	105,494	398,737
2022	301,537	301,537	39.06%	94,301	94,301	395,838
2023	148,415	148,415		84,159	84,159	232,574
2024	153,858	153,858		78,449	78,449	232,307
2025	158,709	158,709		70,816	70,816	229,525
2026	166,153	166,153		63,077	63,077	229,230
2027	173,766	173,766	61.12%	55,567	55,567	229,333
2028	169,817	169,817		48,315	48,315	218,132
2029	176,514	176,514		41,094	41,094	217,608
2030	183,321	183,321		33,552	33,552	216,873
2031	168,834	168,834		25,709	25,709	194,543
2032	174,890	174,890	85.18%	19,633	19,633	194,523
2033	180,133	180,133		14,133	14,133	194,266
2034	186,188	186,188		8,459	8,459	194,647
2035	171,698	171,698	100.00%	2,576	2,576	174,274
	<u>\$ 3,630,532</u>	<u>\$ 3,630,532</u>		<u>\$ 1,119,068</u>	<u>\$ 1,119,068</u>	<u>\$ 4,749,600</u>

⁽¹⁾ Does not include capitalized leases, compensated absences, if any or contingent liabilities. Inter-fund loans, if any, are also not included. Solid Waste enterprise debt is secured by the Municipality's G.O. pledge since it is not fully supported by revenues, but is broken out for illustration purposes from general revenue secured and supported debt in this chart. For more information, see the Summary of Bonded Indebtedness and the Notes to the Financial Statements referenced in Appendix D.

⁽²⁾ Interest shown is net of Build America Bonds subsidy for applicable bond issue(s).

CITY OF KINGSPORT, TENNESSEE
Ten Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Taxes	\$ 33,415,000	\$ 34,196,929	\$ 34,956,317	\$ 35,687,142	\$ 36,735,841	\$ 37,664,973	\$ 38,447,163	\$ 40,655,013	\$ 43,806,004	\$ 43,231,684
Licenses and Permits	526,000	778,788	544,797	354,400	339,843	390,916	357,816	530,179	518,480	456,360
Intergovernmental	20,511,000	20,799,950	20,387,165	19,642,492	20,241,878	21,829,490	22,056,020	22,628,202	23,943,819	24,706,071
Charges for Services	1,312,000	1,270,450	1,412,505	2,201,664	2,345,903	2,082,809	2,122,968	1,933,484	1,963,227	2,447,112
Fines and Forfeitures	679,000	2,034,486	1,840,622	1,205,281	1,243,032	736,228	648,957	753,558	749,630	842,116
Investment Earnings	1,278,000	939,112	388,048	105,839	68,235	82,616	38,116	10,654	11,602	44,714
Contributions and Donations	15,000	7,350	2,074	2,154	32,407	4,043	127,563	157,097	125,000	126,661
Miscellaneous	<u>209,000</u>	<u>346,667</u>	<u>225,927</u>	<u>303,931</u>	<u>794,771</u>	<u>490,360</u>	<u>93,898</u>	<u>328,555</u>	<u>120,296</u>	<u>94,985</u>
Total Revenues	\$ 57,945,000	\$ 60,373,732	\$ 59,757,455	\$ 59,502,903	\$ 61,801,910	\$ 63,281,435	\$ 63,892,501	\$ 66,996,742	\$ 71,238,058	\$ 71,949,703
Expenditures										
General government	\$ 6,672,000	\$ 7,005,005	\$ 8,056,430	\$ 8,159,252	\$ 8,182,493	\$ 8,889,159	\$ 8,796,127	\$ 8,591,022	\$ 8,613,724	\$ 8,609,982
Public Safety:	15,414,000	16,860,706	17,763,626	17,935,335	18,350,902	18,851,933	19,068,656	19,831,402	20,171,508	20,272,421
Public Works	5,178,000	5,639,582	6,162,895	6,297,624	6,292,395	6,104,746	6,441,239	6,823,759	6,854,129	7,343,759
Economic and Physical Dev.	2,749,000	3,282,588	3,333,384	3,419,325	3,577,098	3,670,958	3,594,287	3,642,231	3,518,154	3,432,304
Culture and Recreation	3,889,000	4,462,490	4,693,900	4,680,818	4,884,922	4,809,798	5,041,504	5,178,628	5,176,467	5,411,743
Miscellaneous Gov. Services	878,000	1,019,288	860,350	1,164,299	1,179,584	1,108,609	1,045,894	726,702	1,010,101	769,025
Capital Outlay	<u>199,000</u>	<u>898,876</u>	<u>50,170</u>	<u>41,930</u>	<u>710,173</u>	<u>162,194</u>	<u>123,144</u>	<u>138,633</u>	<u>46,481</u>	<u>56,022</u>
Total Expenditures	\$ 34,979,000	\$ 39,168,535	\$ 40,920,755	\$ 41,698,583	\$ 43,177,567	\$ 43,597,397	\$ 44,110,851	\$ 44,932,377	\$ 45,390,564	\$ 45,895,256
Excess of Revenues										
Over (Under) Expenditures	\$ 22,966,000	\$ 21,205,197	\$ 18,836,700	\$ 17,804,320	\$ 18,624,343	\$ 19,684,038	\$ 19,781,650	\$ 22,064,365	\$ 25,847,494	\$ 26,054,447
Other Financing Sources										
(Uses)										
Transfers In	\$ 3,449,000	\$ 2,524,363	\$ 2,587,824	\$ 3,759,855	\$ 3,513,680	\$ 2,882,006	\$ 3,515,367	\$ 3,150,395	\$ 3,414,619	\$ 3,435,818
Transfers Out	(24,337,000)	(27,208,550)	(24,352,439)	(22,146,855)	(23,368,942)	(23,577,499)	(24,234,580)	(25,081,379)	(28,134,458)	(29,137,892)
Sale of Building	-	800,000	-	-	-	-	-	-	-	-
Debt Proceeds	-	-	-	-	-	-	-	-	-	-
Total	\$ (20,888,000)	\$ (23,884,187)	\$ (21,764,615)	\$ (18,387,000)	\$ (19,855,262)	\$ (20,695,493)	\$ (20,719,213)	\$ (21,930,984)	\$ (24,719,839)	\$ (25,702,074)
Excess of Revenues										
Over (Under) Expenditures										
& Other Uses	\$ 2,078,000	\$ (2,678,990)	\$ (2,927,915)	\$ (582,680)	\$ (1,230,919)	\$ (1,011,455)	\$ (937,563)	\$ 133,381	\$ 1,127,655	\$ 352,373
Fund Balance July 1	18,652,000	20,918,736	18,239,746	15,311,831	14,729,151	13,584,394	12,572,939	11,635,376	11,768,757	12,896,412
Restatement	-	-	-	-	86,162	-	-	-	-	-
Prior Period Adjustment	189,000	-	-	-	-	-	-	-	-	-
Net Encumbrances	-	-	-	-	-	-	-	-	-	-
Fund Balance June 30	\$ 20,919,000	\$ 18,239,746	\$ 15,311,831	\$ 14,729,151	\$ 13,584,394	\$ 12,572,939	\$ 11,635,376	\$ 11,768,757	\$ 12,896,412	\$ 13,248,785

Source: Comprehensive Annual Financial Reports of the Municipality

Note: From Fiscal Year ending 2007 - 2008, data reported in the CAFR were rounded to the nearest thousand.

CITY OF KINGSPORT, TENNESSEE
Ten Year Summary of Revenues, Expenses and
Changes in Net Assets - Water and Sewer Funds

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenues										
Charges and Fees	\$ 24,610,000	\$ 25,183,269	\$ 25,403,240	\$ 24,545,159	\$ 23,873,075	\$ 24,463,225	\$ 24,278,023	\$ 25,313,894	\$ 25,841,142	\$ 26,488,060
Penalties and Fines	530,000	599,559	637,750	556,118	547,732	550,757	534,580	571,669	669,207	774,036
Miscellaneous	<u>1,662,000</u>	<u>31,684</u>	<u>22,491</u>	<u>29,740</u>	<u>239,140</u>	<u>24,566</u>	<u>34,590</u>	<u>48,375</u>	<u>55,147</u>	<u>63,620</u>
Total Operating Revenues	<u>\$ 26,802,000</u>	<u>\$ 25,814,512</u>	<u>\$ 26,063,481</u>	<u>\$ 25,131,017</u>	<u>\$ 24,659,947</u>	<u>\$ 25,038,548</u>	<u>\$ 24,847,193</u>	<u>\$ 25,933,938</u>	<u>\$ 26,565,496</u>	<u>\$ 27,325,716</u>
Operating Expenses										
Operating Costs	\$ 9,341,000	\$ 10,578,186	\$ 11,109,643	\$ 10,772,806	\$ 11,054,147	\$ 11,818,993	\$ 12,054,338	\$ 12,254,053	\$ 12,088,840	\$ 12,853,732
Depreciation	<u>4,465,000</u>	<u>4,637,732</u>	<u>5,261,711</u>	<u>5,312,280</u>	<u>5,877,230</u>	<u>5,981,448</u>	<u>6,227,914</u>	<u>6,292,547</u>	<u>7,650,220</u>	<u>7,899,341</u>
Total Operating Expenses	<u>\$ 13,806,000</u>	<u>\$ 15,215,918</u>	<u>\$ 16,371,354</u>	<u>\$ 16,085,086</u>	<u>\$ 16,931,377</u>	<u>\$ 17,800,441</u>	<u>\$ 18,282,252</u>	<u>\$ 18,546,600</u>	<u>\$ 19,738,060</u>	<u>\$ 20,753,073</u>
Operating Income	<u>\$ 12,996,000</u>	<u>\$ 10,598,594</u>	<u>\$ 9,692,127</u>	<u>\$ 9,045,931</u>	<u>\$ 7,728,570</u>	<u>\$ 7,238,107</u>	<u>\$ 6,564,941</u>	<u>\$ 7,387,338</u>	<u>\$ 6,827,436</u>	<u>\$ 6,572,643</u>
Non-Operating Revenues (Expenses)										
Investment Earnings	\$ 1,245,000	\$ 970,530	\$ 486,747	\$ 223,541	\$ 121,499	\$ 152,258	\$ 153,835	\$ 73,588	\$ 74,903	\$ 171,113
Federal Interest Subsidy	\$ -	\$ -	\$ -	\$ -	\$ 203,407	\$ 165,297	\$ 165,297	\$ 148,798	\$ 145,362	\$ 140,455
Interest Expense	(1,608,000)	(1,606,431)	(1,308,336)	(1,007,724)	(843,459)	(730,976)	(634,424)	(739,534)	(2,051,206)	(1,998,879)
Gain on Disposal of Capital Assets	2,000	50	(11,266)	400	(22,029)	5,012	(58,911)	(303,664)	2,500	-
Amortization Expense	(75,000)	(63,400)	(56,477)	(58,378)	(21,761)	(64,045)	(85,721)	-	-	-
Arbitrage Expense	-	(27,121)	-	-	-	-	-	-	-	-
Payment in Lieu of Taxes	-	-	-	-	-	-	-	-	-	-
Other/ Bond Issue Cost	(3,000)	-	-	-	-	-	-	(170,955)	(181,747)	(131,015)
Total Non-Operating Rev. (Exp.)	<u>\$ (439,000)</u>	<u>\$ (726,372)</u>	<u>\$ (889,332)</u>	<u>\$ (842,161)</u>	<u>\$ (601,730)</u>	<u>\$ (472,454)</u>	<u>\$ (459,924)</u>	<u>\$ (991,767)</u>	<u>\$ (2,010,188)</u>	<u>\$ (1,818,326)</u>
Operating Income Before Other	<u>\$ 12,557,000</u>	<u>\$ 9,872,222</u>	<u>\$ 8,802,795</u>	<u>\$ 8,203,770</u>	<u>\$ 7,126,840</u>	<u>\$ 6,765,653</u>	<u>\$ 6,105,017</u>	<u>\$ 6,395,571</u>	<u>\$ 4,817,248</u>	<u>\$ 4,754,317</u>
Other										
Capital Contributions	\$ -	\$ 2,660,735	\$ 2,123,441	\$ 1,296,823	\$ 655,174	\$ 65,871	\$ 403,146	\$ 1,033,605	\$ 868,632	\$ 1,495,226
Transfers In	100,000	87,163	122,826	125,786	105,304	115,834	134,465	133,761	122,159	145,130
Transfers Out	<u>(2,106,000)</u>	<u>(2,253,434)</u>	<u>(2,342,344)</u>	<u>(2,455,001)</u>	<u>(2,583,080)</u>	<u>(2,555,883)</u>	<u>(2,890,816)</u>	<u>(2,771,823)</u>	<u>(3,028,820)</u>	<u>(3,064,304)</u>
Total Other	<u>\$ (2,006,000)</u>	<u>\$ 494,464</u>	<u>\$ (96,077)</u>	<u>\$ (1,032,392)</u>	<u>\$ (1,822,602)</u>	<u>\$ (2,374,178)</u>	<u>\$ (2,353,205)</u>	<u>\$ (1,604,457)</u>	<u>\$ (2,038,029)</u>	<u>\$ (1,423,948)</u>
Change in Net Position	<u>\$ 10,551,000</u>	<u>\$ 10,366,686</u>	<u>\$ 8,706,718</u>	<u>\$ 7,171,378</u>	<u>\$ 5,304,238</u>	<u>\$ 4,391,475</u>	<u>\$ 3,751,812</u>	<u>\$ 4,791,114</u>	<u>\$ 2,779,219</u>	<u>\$ 3,330,369</u>
Net Position - Prior Year	<u>\$ 115,809,000</u>	<u>\$ 126,360,600</u>	<u>\$ 136,727,286</u>	<u>\$ 145,434,004</u>	<u>\$ 152,605,382</u>	<u>\$ 157,909,620</u>	<u>\$ 162,301,095</u>	<u>\$ 166,052,907</u>	<u>\$ 170,083,435</u>	<u>\$ 165,241,480</u>
Imposition of GASB 68 Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,822,968)	\$ -
Corrections Related to CIP Project Closing	-	-	-	-	-	-	-	(490,586)	(3,198,206)	-
Net Position - Prior Year As Restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,462,261</u>	<u>\$ -</u>
Net Position - FYE	<u>\$ 126,360,000</u>	<u>\$ 136,727,286</u>	<u>\$ 145,434,004</u>	<u>\$ 152,605,382</u>	<u>\$ 157,909,620</u>	<u>\$ 162,301,095</u>	<u>\$ 166,052,907</u>	<u>\$ 170,353,435</u>	<u>\$ 165,241,480</u>	<u>\$ 168,571,849</u>

Source: Comprehensive Annual Financial Reports of the Municipality.

Note: From Fiscal Year ending 2007 - 2008, data reported in the CAFR were rounded to the nearest thousand.

For the current schedules of water and sewer rates and charges, see the Comprehensive Annual Financial Report linked in APPENDIX D

FINANCIAL INFORMATION

CONTINGENT LIABILITIES

The Municipality is party to several agreements with both the Sullivan County Economic Partnership and the Industrial Development Board of the City of Kingsport (“IDBK”) that have required financial participation in the past or may require financial participation by the Municipality in the future. A portion of those agreements are shown below including several recent changes or additions.

For additional information, see the Notes to the Financial Statements included as APPENDIX D (specifically, Footnote 5. “Other Information”, Subsection B. “Contingencies”, Subsection G. “Joint Ventures”, Subsection H. “Jointly Governed Organizations” and Subsection I. “Subsequent Events”).

General Shale Property. The IDBK borrowed \$4,000,000 at an interest rate of 3.0%, with an even year term in order to purchase and develop certain property known as the General Shale Property. Consisting of approximately 98 acres, this property will be used to provide for future economic development opportunities and construction of municipal recreational facilities.

By resolution adopted on December 17, 2013 by the Governing Body, the Municipality and IDBK entered into an agreement wherein proceeds from the sale of all or any portion the property would be applied toward the retirement of the principal loan balance. To support IDBK’s acquisition of the property and to assure its ability to pay the loan, the Municipality also agreed to make certain semi-annual contributions up to \$60,000 each to the IDBK as economic development contributions for a period up to seven years, beginning in fiscal year 2014. The first such semi-annual contribution was made on or before June 1, 2014. Subsequent contributions will be made on or before each December 1 and June 1 through December 1, 2020. IDBK agreed to use such contributions to pay interest payments due on the loan in the event net proceeds realized from the lease of all or any portion of the property are insufficient to pay such interest. In the event a principal balance remains outstanding upon final maturity, the Municipality agrees to either: (1) purchase the property from the IDBK for a purchase price equal to the outstanding principal and accrued interest owed on the loan; or (2) provide an economic development contribution to IDBK in an amount sufficient to pay the outstanding principal and accrued interest owed on the loan. In either event, IDBK agreed to use such funds to retire any remaining balance on the loan in full.

Source: Comprehensive Annual Financial Report for FY 2016 of the City of Kingsport.

Heritage Glass Site. In May 2014, the IDBK obtained a \$2,600,000 loan to purchase a glass manufacturing facility from AGC Glass. The loan carried a rate of 3.95%. Principal and interest are payable monthly over 15 years. The facility was leased to a new glass manufacturer – Heritage Glass. Monthly lease payments cover the principal and interest on the loan. The Municipality is contingently liable for the loan payments in the event the manufacturer defaults on the lease. In the spring of 2015, Heritage Glass suspended operations and defaulted on the Lease. IDBK has modified the terms of its loan whereby its lender agreed to accept interest only payments through December 31, 2015. IDBK is a party to an Inter-creditor Agreement with Heritage Glass' lender who has a lien on all of its equipment and inventory located in the

manufacturing facility. In return for IDBK agreeing to modify certain terms of the Inter-creditor Agreement, the lender agreed to reimburse IDBK for all interest payments due on its loan from April 30 through December 31, 2015. The terms of this agreement were subsequently extended an additional 90 days. In May 2016, the IDBK entered into a lease agreement with EnviraGlass, LLC for this facility. In conjunction with this transaction, the IDBK obtained a new loan in the amount of \$2,675,000. This loan carried a rate of 3.95% with principal and interest payable monthly over 20 years beginning July 2016. Proceeds from this loan were used to retire the outstanding balance of the original loan. The Municipality also agreed to provide up to \$3,875,000 in economic development contributions to the IDBK over the twenty year period, if needed. The Municipality is contingently liable for the loan payments in the event the manufacturer defaults on the lease. On September 22, 2016, IDBK sent a notice of default to EnviraGlass for non-payment of the lease rents. The IDBK is currently in discussions with a potential purchaser of the property.

C&F Manufacturing Site. In July 2011 the IDBK entered into a loan agreement for \$3,500,000. The loan was used to purchase an industrial use facility near Tri-Cities Airport. In turn, the property was leased to C&F Manufacturing. In the event the manufacturing company fails to make lease payments, IDBK is required to fund the loan payments from other resources. The Municipality and Sullivan County entered into agreements to support this project and share in a contingent liability, should the IDBK default on the loan. On October 7, 2014 the IDBK terminated the lease with C & F Manufacturing. Under the terms of their respective funding agreements, the Municipality and the County each will pay to IDBK 50.0% of the amount necessary to make the debt service payments required under the terms of the loan agreement. The Municipality's obligation may be as much as \$135,700 annually for up to 17 years. In March 2016, the loan was extended for 24 months and the extension calls for interest only payments from the Municipality and the County. The IDBK is in the process of marketing the property. Proceeds from the sale or lease of the facility, in excess of the amount needed to satisfy the outstanding principal balance and accrued interest of the loan, will be used to repay the Municipality and the County for any amounts paid pursuant to the funding agreements. In January 2017, the property was sold to LeClerc Foods TN, LLC with the proceeds of the sale used to pay down the loan balance. The remaining balance of the loan of \$740,804 was refinanced at a fixed rate of 2.84% for a term of 48 months.

Source: City of Kingsport

Tri-Cities Crossing Property. The IDBK borrowed \$6,540,000 in order to purchase approximately 33.75 acres and to construct an industrial building for lease to Pure Foods, Inc. Interest on the loan will accrue on the outstanding principal balance during the period May 15, 2015 through November 14, 2017, at a rate per annum equal to the LIBOR Rate plus ninety-nine basis points (0.99). During the period November 15, 2017 through the maturity date of May 15, 2025, interest will accrue under the Loan at a fixed rate of 3.89% per annum.

By resolution adopted on March 18, 2015, to support IDBK's acquisition and improvement of the property and its ability to pay the debt service due under the Loan, the Municipality entered into an agreement with IDBK to provide economic development contributions from time to time in such amounts as are needed by IDBK, during the 10 term of the loan, to make the debt service payments under the Loan after application of the net rental income from the lease with Pure Foods, Inc. and any other leases and rental agreements on the property. IDBK will use all net rental income received from the leases and rental agreements on the property, and all

net proceeds realized from the sale of all or any portion of the property, to pay the accrued interest and debt service payments due under the Loan.

In the event any indebtedness remains outstanding under the loan at the maturity date, the Municipality shall either: (i) purchase the property from IDBK for a purchase price equal to the outstanding indebtedness then owed on the Loan including all principal, interest and expenses, if any, or (ii) provide an economic development contribution to IDBK in an amount sufficient to pay the outstanding indebtedness then owed on the Loan. In February 2017, the Pure Foods filed for Chapter 11 reorganization bankruptcy protection following a production stoppage in October 2016. In March 2017, Memphis based Brimhall Foods, the parent of Brim's Snacks acquired the equipment formerly held by Pure Foods. In June 2017, Kingsport Foods Company (a newly formed Tennessee Corporation managed by Brimhall Foods) entered into a 10 year building lease with the Industrial Development Board of Kingsport, Tennessee.

Public Housing Redevelopment Plan. In July 2016, the Municipality entered into an agreement with the Kingsport Housing & Redevelopment Authority (KHRA) to provide financial support in the program to redevelop public housing facilities within the Municipality. The estimated \$50,500,000 project will rehabilitate 378 existing public housing units and construct 51 replacement units. To support the financing of this project, the KHRA, or an entity formed by KHRA, will be applying for approximately \$17,000,000 of Low Income Housing Tax Credits. If the application is approved, the Municipality has agreed to donate to KHRA up to a total of \$4,493,440, in annual amounts, beginning January 30, 2018, of \$224,672 over a twenty year period, in support of this project, if needed. The total amount of the donation will be limited to the amount needed to complete the project or \$4,493,440, whichever is less. Funds donated to the KHRA that are not used on the project, will be returned to the Municipality. Approval of the Low Income Tax Credit application is expected in the fall of 2017.

Downtown Property Acquisitions. By resolution, adopted on September 6, 2016, to support IDBK's acquisition of certain properties in the downtown district, the Municipality entered into an agreement with IDBK to provide up to \$1,000,000 in economic development contributions, if needed. The IDBK owns certain Main Street properties which are in the process of being sold. It is anticipated that the proceeds from this property sale, along with funds currently held by IDBK, will be sufficient to fund the acquisition of the downtown properties. However, contributions from the Municipality may be needed if the IDBK is unable to finalize the closing on the Main Street property sale prior to the acquisition of the downtown property purchases. All contributions made to the IDBK by the Municipality, will be repaid by IDBK upon receipt of the proceeds from the sale of their property.

Source: City of Kingsport

In September 2012, the IDBK purchased real property located on West Sullivan Street and Clinchfield Streets within the City, known as the Bray Property. The purpose of this purchase is for future economic development, which will involve a significant quantity of residential housing units being constructed in the downtown area of the City. The IDBK purchased the property with proceeds from a \$1,785,000 loan, to be repaid in five years with an interest rate of 2.9%. As portions of the property are sold, IDBK will use the proceeds from the sales to reduce the principal balance outstanding on the loan. In the event net rental income from leases and rental agreements on the property, and the sale of part or all of the property, is not sufficient to cover the annual

interest portion of the debt service on the loan, the City has approved an agreement with the IDBK to provide an annual contribution to the IDBK in an amount up to the required annual debt service interest on the loan, which is \$52,587. The IDBK has sold the property to a developer and is currently in the process of closing on the transaction. For additional information, see “Recent Developments – *Town Park Lofts*”.

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

The following table depicts major revenue sources for all governmental activities for the most recent 10 fiscal years:

FY Year	Property Tax	All Sales Taxes	Hall Income Tax⁽¹⁾	Business Tax	Alcoholic Beverage Tax	Hotel/Motel Tax	Total
2016	\$57,058,121	\$34,386,506	\$1,068,350	\$2,103,921	\$1,924,222	\$1,677,590	\$98,218,710
2015	55,935,014	32,690,121	1,115,663	2,068,944	1,847,187	1,564,355	95,221,284
2014	52,677,994	30,753,163	893,978	1,806,045	1,800,932	1,643,053	89,575,167
2013	50,347,648	29,687,264	709,109	1,845,565	1,742,979	1,507,778	85,840,343
2012	48,236,082	29,469,816	609,312	1,746,264	1,778,471	1,499,600	83,339,545
2011	47,144,856	27,514,740	555,283	1,681,523	1,617,478	1,380,588	79,894,468
2010	45,938,645	26,304,997	577,363	1,589,591	1,549,521	1,300,766	77,260,883
2009	45,003,403	27,003,900	957,062	1,673,312	1,575,636	1,241,227	77,454,540
2008	43,181,138	27,531,437	1,324,987	1,951,834	1,459,593	1,381,161	76,830,150
2007	42,857,000	27,570,000	1,026,000	1,707,000	1,398,000	938,000	75,496,000

(1) In the 2016 General Assembly of the State of Tennessee, the State Budget calls for a phase out of the Hall Income Tax on interest and dividends from investments. Since its enactment in 1929, the tax rate has been 6% which applied to all taxable income derived from interest and dividends greater than \$1,250 per person or \$2,500 for married couples filing jointly. The State Budget reduces the tax by 1.0% to 5.0% with the intent of phasing it out altogether by 2021. Based on the situs of collections, local jurisdictions such as the Municipality receive 0.0375% of the total tax. There are no “hold-harmless” provisions for local jurisdictions.

Source: Comprehensive Annual Financial Reports of the City of Kingsport and various news accounts on the FY 2015-2016 State Budget.

BUDGETARY PROCESS

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds except the capital projects fund and certain special revenue funds associated with grant awards, which are adopted on a project-by-project basis and normally span a multi-year period.

The City Manager is required by charter to present to the Board of Mayor and Aldermen a preliminary budget for the upcoming fiscal year, by May 15. The preliminary budget is compiled from revenue and expense projections as well as requests submitted by each department. The Board of Mayor and Aldermen must pass the preliminary budget on two readings before it is adopted and becomes the approved spending plan for the Municipality.

The City Manager has the authority to transfer the unused portion of any items or appropriation within the same department, between departments in any given fund, and across

departments and/or funds for fleet, risk management and health insurance. The City Manager also has the authority to transfer funds from the vehicle repair and maintenance account of one department to the vehicle repair and maintenance account of another department. Any revisions that alter the total expenditures of any fund must be approved by the Board of Mayor and Aldermen. Expenditures may not exceed appropriations at the fund level. Supplemental appropriations may be authorized by the Board of Mayor and Aldermen through the adoption of appropriate ordinances during the year.

Formal budgetary accounting is employed as a management control for all funds of the Municipality. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, certain special revenue funds (criminal forfeiture, drug, state street aid, regional sales tax, Eastman annex tax, Steadman cemetery, public library commission, Bays Mountain, senior citizen advisory board, school nutrition services, and Palmer Center), debt service fund, proprietary funds and the permanent fund. Budgets for the remaining special revenue funds and capital projects funds are made on a project basis, spanning more than one fiscal year. Budgetary control is exercised at the departmental level or by project.

Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as Assigned Fund Balance and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Source: Comprehensive Annual Financial Report of the City of Kingsport, Tennessee

INVESTMENT AND CASH MANAGEMENT PRACTICES

The Municipality's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes impose various restrictions on deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

Custodial credit risk is the risk that in the event of bank failure, deposits may not be returned to the Municipality. All deposits were insured through FDIC or collateralized as required by Title 9, Chapter 1, Section 118, Tennessee Code Annotated.

Total demand deposits and certificates of deposit for the Municipality are held generally in financial institutions which are members of the Tennessee Bank Collateral Pool (the pool) administered by the State of Tennessee Treasurer. The pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss.

The Municipality's investment policy is to ensure the preservation of capital in the overall investment portfolio. The Municipality will emphasize the safety of capital first, maintain sufficient liquidity to meet obligations second, and gain the highest possible yield third.

The Municipality's investments generally include long term certificates of deposit placed at local banks or money market deposits with the State of Tennessee Local Government Investment Pool ("LGIP").

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as certificates of deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The Tennessee LGIP has not been rated by a nationally recognized statistical rating organization.

Source: Comprehensive Annual Financial Report of the City of Kingsport, TN

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

Taxation of Property. Under the Tennessee Constitution (the "Constitution") and laws of the State, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required by the Constitution to be classified into four sub-classifications and assessed at the rates as follows:

- (a) Public Utility Property - includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies, to be assessed at 55% of its value;
- (b) Industrial and Commercial Property - includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose, to be assessed at 40% of its value;
- (c) Residential Property - includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit, to be assessed at 25% of its value; and

- (d) Farm Property - includes all real property used or held for use in agriculture, to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property - assessed at 55% of its value;
- (b) Industrial and Commercial Property - assessed at 30% of its value; and
- (c) All other Tangible Personal Property - assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State for purposes of taxation.

The Constitution requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

Taxation of Property. The Constitution empowers the General Assembly to authorize the several counties and incorporated municipalities in the State to impose taxes for county and municipal purposes in the manner prescribed by law. Under Tennessee Code Annotated, the General Assembly has authorized the counties and incorporated municipalities to levy an ad valorem tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the legislative body of each jurisdiction based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

Assessment of Property. All assessments of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local boards of equalization begin their annual sessions.

The boards of equalization are required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property. The State Comptroller of the Treasury (the "Comptroller") is authorized and directed under State law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by law.

On or before the first Monday in August of each year, the assessments are required to be completed and the Comptroller is required to send a notice of assessment to each company assessable. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the Comptroller, who may change or affirm the valuation. On or before the first Monday in September of each year, the Comptroller is required to file with the State Board of Equalization ("State Board") assessments so made. The State Board is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the Comptroller.

The State Board has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board is final and conclusive as to all matters passed upon by the State Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization. Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board, by a continuous four-year cycle comprised of an on-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State.

Certified Tax Rate. Upon a general reappraisal of property as determined by the State Board, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate ("Certified Tax Rate") which will provide the same ad valorem revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

No tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

Tax Freeze for the Elderly Homeowner. The Constitution was amended in November, 2006 to authorize the General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible.

Tax Collection and Tax Lien. County Property taxes are payable the first Monday in October of each year although cities and towns may follow different calendars based on their Charter requirements. Unless a city or town collects its own taxes as it is permitted to do, the county trustee of each county acts as the collector of all county property taxes.

The taxes assessed by the State, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

Taxation in the Municipality. Unlike counties, all property taxes of the Municipality are due on November 1 of each year based upon appraisals as of January 1 of the same calendar year. All property taxes levied in the Municipality are delinquent on December 1 of the same calendar

year. Delinquent taxes begin accumulating penalties after November 1 at a rate of 2.0% for November and December and at a rate of 1.0% for each month thereafter that taxes remain unpaid.

Assessed Valuations. As of May 11, 2016 according to the Tennessee State Board of Equalization, property in Sullivan County reflected a ratio of appraised value to true market value of 0.9651. Sullivan County is on a 4 year appraisal cycle. The current county-wide reappraisal in Sullivan County is in process and when certified will be effective as of January 1, 2017 (fiscal year 2018).

Approximately 3.7% of the Municipality is located in Hawkins County. Property in Hawkins County reflected a ratio of appraised value to true market value of 1.0000 according to the State resulting from a county-wide reappraisal certified in 2016 (fiscal year 2017). Hawkins County is on a 5 year appraisal cycle. The next county-wide appraisal in Hawkins County will occur in 2021. Public utility assessments have been equalized and certified by the State after adjustment resulting from reappraisals or from sales studies.

Assessed Values and Estimated Actual Values of the Municipality. The table below depicts total combined historical data for all property in Sullivan and Hawkins Counties.

FY	Tax Year	Real Property			Tangible Personal Property	Public Utility Property	Total Assessed Value ⁽²⁾	Estimated Actual Value	City Tax Rate ⁽³⁾
		Industrial/Commercial ⁽²⁾	Residential	Farm					
2017	2016**	\$683,001,600	\$669,506,750	\$5,884,550	\$373,491,950	\$53,030,272	\$1,784,915,122	\$5,968,712,220	\$2.07
2016	2015	676,921,040	666,829,550	6,078,225	369,493,327	51,832,005	1,771,157,147	5,734,328,781	2.07
2015	2014	670,533,560	661,774,175	6,327,100	403,466,509	53,756,776	1,795,858,120	5,816,219,071	2.07
2014	2013*	661,117,320	656,652,875	6,122,250	407,237,524	52,692,551	1,785,012,769	5,784,231,932	1.94
2013	2012	637,745,231	632,822,600	6,301,400	352,511,056	47,486,322	1,678,554,710	5,763,618,186	1.97
2012	2011**	636,935,120	588,474,175	5,983,325	359,875,528	51,988,058	1,643,256,206	5,604,513,479	1.97
2011	2010	625,090,560	569,650,900	5,913,398	386,518,022	54,411,500	1,641,584,382	5,305,111,318	1.94
2010	2009*	608,769,000	536,498,100	5,788,225	407,493,801	48,431,779	1,606,980,905	5,136,863,657	1.94
2009	2008 ⁽¹⁾	479,385,760	451,915,375	4,772,725	345,092,059	40,551,109	1,321,717,028	5,026,787,103	2.30
2008	2007	459,666,840	439,977,900	4,223,425	401,179,200	47,070,183	1,352,126,208	5,129,398,172	2.30
	Rate	40%	25%	25%	30%	55%			

⁽¹⁾ In tax year 2008, Quebecor Printing which closed in October 2006 reduced assessments as did the new Eastman PILOT.

⁽²⁾ A material portion of the Municipality's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the Municipality. During the tax year 2016, assessments for this one taxpayer accounted for approximately 25% of the total property tax assessment.

⁽³⁾ Direct tax rate paid by residents in the Sullivan County portion of the Municipality. Residents located in the Hawkins County portion of the Municipality pay a different rate. Residents in the Municipality in Hawkins and Sullivan Counties also pay a separate tax to each jurisdiction.

* Reappraisal in the Sullivan County portion of the Municipality.

** Reappraisal in the Hawkins County portion of the Municipality.

Source: Tax Aggregate Reports of Tennessee published by the State Board of Equalization and The Comprehensive Annual Financial Reports of the City of Kingsport, Tennessee.

Property Tax Levies, Rates and Collections. The following table depicts property tax levies and collections for fiscal years ending June 30, 2007 through 2016:

<u>FY</u>	<u>Tax Year</u>	<u>Combined Assessed Valuation</u> ⁽²⁾	<u>Sullivan County Tax Rates</u>		<u>Hawkins County Tax Rates</u>		<u>City Fiscal Year Collections</u> ⁽¹⁾		
			<u>City Rate</u>	<u>County Rate</u>	<u>City Rate</u>	<u>County Rate</u>	<u>Adjusted Taxes Levied</u> ⁽³⁾	<u>Amount</u> ⁽³⁾	<u>Pct. Adj. Levy</u>
2016	2015	\$1,768,601,363	\$2.0700	\$2.5754	\$2.0100	\$2.4650	\$37,786,449	\$36,831,749	97.47%
2015	2014	1,795,858,120	2.0700	2.3054	2.0100	2.4650	38,090,183	37,242,618	97.77%
2014	2013*	1,785,012,769	1.9400	2.3054	1.8800	2.3450	35,124,139	34,296,096	97.64%
2013	2012	1,678,554,710	1.9700	2.3307	1.8500	2.3450	33,610,542	32,509,564	96.72%
2012	2011**	1,643,256,206	1.9700	2.1307	1.8500	2.3450	32,696,105	31,684,065	96.45%
2011	2010	1,641,584,382	1.9400	2.1307	2.2400	2.7050	32,297,608	31,071,305	96.20%
2010	2009*	1,606,980,905	1.9400	2.1307	2.2700	2.7050	31,198,267	30,151,757	96.65%
2009	2008 ⁽¹⁾	1,321,717,028	2.3000	2.5300	2.2500	2.6100	30,535,512	29,616,908	96.99%
2008	2007	1,352,126,208	2.3000	2.5300	1.9600	2.6100	29,757,507	28,616,818	96.17%
2007	2006**	1,297,375,372	2.2600	2.5300	2.2600	2.3600	29,566,014	28,769,796	97.31%

⁽¹⁾ In tax year 2008, Quebecor Printing which closed in October 2006 reduced assessments as did the new Eastman PILOT.

⁽²⁾ A material portion of the Municipality's property tax revenue is derived from one taxpayer, the loss of which would have a material effect on the Municipality. During the tax year 2016, assessments for this one taxpayer accounted for approximately 23% of the total property tax assessment.

⁽³⁾ Includes amounts derived from PILOT agreements.

* Reappraisal in the Sullivan County portion of the Municipality.

** Reappraisal in the Hawkins County portion of the Municipality.

Source: Tax Aggregate Reports of Tennessee published by the State Board of Equalization, Tennessee Comptroller's website and the City of Kingsport.

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Ten Largest Taxpayers. According to the Municipality, the 10 largest taxpayers for the FYE June 30, 2017 (Tax Year 2016) as compared to June 30, 2008 (Tax Year 2007) were as follows:

**CITY OF KINGSPORT, TENNESSEE
PRINCIPAL PROPERTY TAXPAYERS
For The Fiscal Years Noted**

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Eastman	\$ 444,045,035	1	24.9%	\$ 349,026,433	1	27.1%
Domtar, Inc (Weyerhaeuser Co/ Willamette Industries)	40,005,721	2	2.2%	17,696,589	3	1.4%
Kingsport Power Company (AEP)	22,233,763	3	1.2%	14,382,508	4	1.1%
Holston Family Practice	21,547,663	4	1.2%			
Wellmont Health System/ Holston Valley Health Care	16,990,527	5	1.0%	19,615,786	2	1.5%
Inland Western Kpt East Stone LLC - Clara F Jackson	15,279,800	6	0.9%			
Kingsport Pavilion LLC	14,959,610	7	0.8%			
Mountain States Health / HCA	14,518,743	8	0.8%	9,747,838	6	0.8%
Eastman Credit Union	13,359,542	9	0.7%	8,653,328	9	0.7%
Kingsport Town Center (Fort Henry Mall- Baltry, LLC)	11,954,099	10	0.7%	13,278,122	5	1.0%
Wal Mart Properties/Real Estate				9,388,720	7	0.7%
Sprint/United Telephone Southeast				9,049,673	8	0.7%
AGC America, Inc				6,652,163	10	0.5%
Totals	\$ 614,894,503		34.4%	\$ 457,491,160		35.5%

Total Taxable Assessed Value:

FYE 2017 (Tax Year 2016)	\$ 1,784,915,122
FYE 2008 (Tax Year 2007)	1,285,995,626

Source: City of Kingsport Finance Department

LOCAL OPTION SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended (the "Sales Tax Act"), Sullivan County and Hawkins County levy a county-wide local option sales and use tax. Under the Sales Tax Act, counties and incorporated cities may levy sales and use tax on the same privileges on which the State levies its sales and use tax. The rate of any sales and use tax levied by a county or city is limited under State law to 2.75%.

Pursuant to the Sales Tax Act, the levy of a sales and use tax by a county precludes any city from within the county from levying a sales and use tax, but a city may levy a sales tax in addition to the county's sales tax at a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of 2.75%. If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate. Currently, Sullivan County levies a 2.25% sales tax, but the Municipality has elected to add an additional 0.25% to all sales within that portion of the corporate limits of the Municipality located in Sullivan County bringing the total to 2.50% in the

Sullivan County portion of the Municipality. These funds go directly to the Regional Fund which is used to support capital improvements associated with the Municipality’s Meadow View Convention Center and Resort as well as the Kingsport Aquatics Center. The local option sales tax levied by Hawkins County equals the maximum rate allowed by the Sales Tax Act of 2.75%.

The revenues from the county-wide sales and use taxes in Sullivan and Hawkins Counties are distributed pursuant to the provisions of the Sales Tax Act and other provisions of the *Tennessee Code Annotated*. Fifty percent (50.0%) of the revenues raised through the county-wide sales taxes are directed to educational purposes and are distributed to all organized public school systems in the county (including the Kingsport City School System) in which the taxes are collected based upon the average daily attendance of each school system. The balance of the sales tax collections are divided between the general fund of the county in which the taxes are collected and all incorporated cities in such county based upon the situs of collection unless a separate agreement has been ratified concerning the distribution of these funds. As noted, the Regional Fund receives all the proceeds from the special 0.25% increment.

The distribution of the sales tax for the most recent fiscal years was as follows:

Fiscal Year	City-Wide Total Sales Tax	FY % Change	General Fund	Regional Fund⁽¹⁾
2017*	\$20,842,168	(2.07%)	\$17,110,305	\$3,731,863
2016	21,282,094	3.70%	17,474,902	3,807,192
2015	20,522,223	5.83%	16,848,127	3,674,106
2014	19,390,768	3.05%	15,901,590	3,489,178
2013	18,816,178	1.42%	15,439,975	3,376,203
2012	18,789,437	5.68%	15,432,814	3,356,623
2011	17,778,766	4.17%	14,594,959	3,183,807
2010	17,067,113	(3.22)%	14,009,678	3,057,435
2009	17,634,903	(1.23)%	14,478,441	3,156,462
2008	17,854,873	0.18%	14,640,220	3,214,653

⁽¹⁾ One quarter percent (0.25%) is levied by the Municipality only in that portion of the Municipality located in Sullivan County (the “Regional Fund”) and has been and will be used to offset the costs related to the Municipality’s Meadowview Conference Center and Resort and related facilities and the Aquatics Center and Water park which serve the Municipality and the region. All totals are depicted on an accrued basis as of the end of the appropriate fiscal year.

* For FYE 2017, the amounts shown are preliminary and subject to final audit.

Source: Comprehensive Annual Financial Report and the Municipality.

As allowed by the Sales Tax Act, the Municipality formally has pledged revenues to be derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County to the payment of both principal and interest on its \$15,180,000 Local Option Sales Tax Revenue and Tax Bonds, Series 2009C Bonds, dated February 3, 2009 (the “Series 2009C Bonds”). The Series 2009C Bonds mature on March 1, 2017 through March 1, 2022, inclusive, on March 1, 2024, on March 1, 2025 through March 1, 2027,

inclusive, and on March 1, 2029. In the event of a deficiency of such revenues, the Municipality has pledged such payments from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Series 2009 C Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality has been irrevocably pledged.

The Municipality's \$26,415,000 General Obligation Public Improvement Bonds, Series 2009D (Federally Taxable Build America Bonds), dated December 8, 2009 and maturing on March 1, 2017 through March 1, 2027, on March 1, 2029 and on March 1, 2020 (the "Series 2009D Bonds") are also payable from funds of the Municipality legally available therefor and to the extent necessary from ad valorem taxes to be levied on all taxable property within the corporate limits of the Municipality without limitation as to time, rate, or amount. For the prompt payment of the Series 2009D Bonds, both principal and interest, as the same shall become due, the full faith, and credit of the Municipality has been irrevocably pledged.

The Municipality's \$14,225,000 General Obligation Public Improvement Bonds, Series 2009E, dated December 8, 2009 and maturing on March 1, 2017 through March 1, 2023, inclusive and on March 1, 2025, on March 1, 2027 and on March 1, 2028 through March 1, 2030, inclusive (the "Series 2009E Bonds") are also payable from revenues derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee.

Approximately, 5.9% of the proceeds of the Series 2009D Bonds were used to fund the acquisition, development and construction of additional improvements to Municipality's Meadow View Convention Center and area roads. One hundred percent (100.0%) of the proceeds of the Series 2009E Bonds were used to fund the acquisition, development and construction of the Municipality's new aquatics center and Water Park and related facilities. Debt service related to these projects is paid from revenues derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee.

The Municipality's General Obligation Public Improvement Bonds, Series 2012A dated June 22, 2012 (the "Series 2012A Bonds") are also payable from revenues derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee.

To the extent the proceeds of the Series 2009C Bonds and the Series 2009E Bonds were used to fund projects secured by a pledge of the revenues to be derived from the 0.25% local option sales tax levied by the Municipality within the corporate limits of the Municipality within Sullivan County, Tennessee, the Municipality's \$9,210,000 General Obligation Refunding Bonds, Series 2016A, dated May 17, 2016, and \$9,060,000 General Obligation Refunding Bonds, Series 2016B, dated May 17, 2016 are additionally payable from, but not secured by, such local option sales tax revenues.

Of the Municipality's \$21,335,000 General Obligation Public Improvement Bonds, Series 2016, dated November 4, 2016 (the "Series 2016 Improvement Bonds"), \$3,270,000 were used to fund projects subject to the 0.25% local option sales tax levied by the Municipality within the

corporate limits and within Sullivan County, Tennessee. The 2016 Improvement Bonds were secured by the Municipality’s general obligation pledge and payable from, but not secured by, such local option sales tax revenues.

TOP TEN WATER CUSTOMERS

The Municipality’s Water Treatment facility has a capacity of 28 MGD (WTP capacity). Water is distributed through nearly 845 miles of waterlines. There are currently 34,873 total customers (12,197 outside the Municipality).

<u>Customer Name</u>	<u>Consumption (in gallons)</u>	<u>Revenue</u>
Eastman	844,773,300	\$ 1,586,085
BAE Systems	88,024,900	155,608
Domtar Paper Company, LLC	75,527,400	150,656
Wellmont Health System	35,807,800	65,843
Kingsport Housing Authority	29,099,600	64,369
North Greene Utility District	12,225,800	33,010
Allandale Falls Apt, LLC	15,595,600	28,029
Cross Creek Apartments	9,378,900	26,847
MeadowView Conference Resort	12,228,200	25,194
Model City II, L.P.	10,147,600	24,082
	<u>1,132,809,100</u>	<u>\$ 2,159,723</u>

Source: City of Kingsport Finance Department. In the Comprehensive Annual Financial Report referenced in Appendix D, information is available on the current rate structure.

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TOP TEN WASTEWATER CUSTOMERS

The Municipality’s Wastewater Treatment facility has a current capacity of 12.4 MGD. Wastewater is collected through nearly 577 miles of sewer lines. There are currently about 21,800 total connections (971 outside the Municipality).

**CITY OF KINGSPORT, TENNESSEE
TOP TEN SEWER CUSTOMERS
For the Fiscal Year Ended June 30, 2017**

<u>Customer Name</u>	<u>Treatment (in gallons)</u>	<u>Revenue</u>
Eastman	219,894,100	\$ 1,689,891
Kingsport Housing Authority	29,009,400	223,878
BAE Systems	15,967,900	122,474
Allandale Falls Apt, LLC	15,595,600	119,618
Domtar Paper Co, LLC	14,626,700	112,198
Tuscany Villas	11,477,000	88,029
Wellmont Health System	10,764,700	82,539
Rental Uniform	10,603,700	81,330
Model City II, L.P.	10,147,600	77,869
Holston Manor	10,026,800	76,906
	<u>348,113,500</u>	<u>\$ 2,674,732</u>

Source: City of Kingsport Finance Department. In the Comprehensive Annual Financial Report referenced in Appendix D, information is available on the current rate structure.

PENSION PLANS

For information on the Pension Plans of the Municipality, please refer to the appropriate Note to Financial Statements located in the Comprehensive Annual Financial Report of the Municipality which may be accessed as described in APPENDIX D.

OTHER POST-EMPLOYMENT BENEFITS

For information on Other Post-Employment Benefits (“OPEB”) of the Municipality, please refer to the appropriate Note to Financial Statements located in the Comprehensive Annual Financial Report of the Municipality which may be accessed as described in APPENDIX D.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY OF KINGSPORT, TENNESSEE

\$14,855,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2017A
\$11,250,000 GENERAL OBLIGATION IMPROVEMENT BONDS, SERIES 2017B

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Kingsport, Tennessee (the “Municipality”) in connection with the issuance of \$14,855,000 General Obligation Improvement Bonds, Series 2017A and \$11,250,000 General Obligation Improvement Bonds, Series 2017B (collectively, the “Bonds”), dated the date of original issuance and delivery. The Bonds are being issued pursuant to the resolutions adopted by the Board of Mayor and Aldermen of the Municipality on August 1, 2017 (collectively, the “Resolution”). The Municipality covenants and agrees as follows:

SECTION 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Municipality for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5).

SECTION 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access (“EMMA”) System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

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

“Annual Report” shall mean any Annual Report provided by the Municipality pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“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 Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall initially mean Regions Bank and thereafter, any successor Dissemination Agent designated in writing by the Municipality and which has filed with the Municipality a written acceptance of such designation.

“Material Event” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the 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.

SECTION 3. Provision of Annual Reports.

(a) The Municipality shall, or shall cause the Dissemination Agent to, not later than twelve months after the end of the Municipality’s fiscal year, commencing with the report for the fiscal year ending June 30, 2017, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. 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 Certificate; provided that the audited financial statements of the Municipality may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Municipality’s fiscal year changes, it shall give notice of such change in the same manner as for a Material Event under Section 5(c) hereof.

(b) Not later than fifteen (15) Business Days prior to said date, the Municipality shall provide the Annual Report to the Dissemination Agent (if other than the Municipality). If the Municipality is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Municipality shall send a notice, in a timely manner, to the MSRB in substantially the form of Exhibit A attached hereto.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the Municipality), file a report with the Municipality certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The Municipality’s Annual Report shall contain or include by reference the audited financial statements of the Municipality for the prior fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the Municipality’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 final “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 the following information in a format similar to that included in the “Preliminary Official Statement”, dated August 16, 2017, as revised on August 17, 2017 relating to the Bonds (the “Preliminary Official Statement”):

1. Summary of long-term indebtedness as of the end of such fiscal year;
2. The indebtedness and debt ratios as of the end of such fiscal year, together with information regarding the property tax base;
3. Information regarding general obligation debt service requirements;
4. Information about the revenue and tax backed debt service requirements as of the end of such fiscal year;
5. The fund balances and retained earnings for the fiscal year;
6. Summary of revenues, expenditures, and changes in fund earnings – general fund for the fiscal year;
7. Summary of revenues, expenditures, and changes in retained balances – water fund and the sewer fund;
8. The estimated assessed value of property in the Municipality for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year;
9. Property tax rates and tax collections of the Municipality for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year;
10. The ten largest taxpayers; and
11. Information regarding the Municipality’s share of the Local Option Sales Tax.

Any or all of the items listed above may be included by specific reference to other documents, including “Official Statements” of debt issues of the Municipality or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final “Official Statement”, it must be available from the MSRB. The Municipality shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Material Events.

(a) Pursuant to the provisions of this Section 5, the Municipality shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Modifications to rights of Bondholders, if material.
4. Bond calls, if material, and tender offers.
5. Defeasances.
6. Rating changes.
7. 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 Bonds, or other material events affecting the tax status of the Bonds.

8. Unscheduled draws on the debt service reserves reflecting financial difficulties.
9. Unscheduled draws on the credit enhancements reflecting financial difficulties.
10. Substitution of the credit or liquidity providers or their failure to perform.
11. Release, substitution or sale of property securing repayment of the Bonds, if material.
12. Bankruptcy, insolvency, receivership or similar event of the Municipality.
13. The consummation of a merger, consolidation, or acquisition involving the Municipality or the sale of all or substantially all of the assets of the Municipality, 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.
14. Appointment of a successor or additional trustee or the change of the name of a trustee, if material.

For purposes of the event identified in subsection (a)12 above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Municipality in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Municipality, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Municipality.

(b) When a Material Event occurs, the Municipality shall, in a timely manner not in excess of ten business days after the occurrence of the Material Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolutions.

(c) Unless otherwise required by law, the Municipality shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

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

SECTION 7. Dissemination Agent. The Municipality may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Municipality pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Regions Bank.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Municipality may amend this Disclosure Certificate, and any provision of this Disclosure Certificate 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 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 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 Bonds in the same manner as provided in the Resolutions for amendments to the Resolutions 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 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Municipality 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 the Municipality. 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 Material 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 Certificate shall be deemed to prevent the Municipality from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Municipality chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Municipality shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 10. Default. In the event of a failure of the Municipality to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Municipality to comply with its obligations under this

Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the Municipality to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and to the extent permitted by Tennessee law, the Municipality 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Municipality under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Municipality, the Dissemination Agent, the Participating Underwriters, and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: September 8, 2017

CITY OF KINGSPORT, TENNESSEE

By: _____
Mayor

Attest:

Chief Financial Officer and City Recorder

APPROVED AS TO FORM:

City Attorney

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF KINGSPORT, TENNESSEE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This document and similar documents for at least the past 15 fiscal years may be found in electronic, searchable format on the City of Kingsport's official web site:

<https://www.kingsporttn.gov/government/finance-department/financial-reports/>

The Comprehensive Annual Financial Reports are hereby incorporated by reference as APPENDIX D. To the extent there are any differences between the electronically posted financial statements of the Municipality, the printed version shall control.

The Municipality's independent auditors have not been engaged to perform and have not performed any procedures on the financial statements addressed in that report since the date of its report included herein. Additionally, no procedures have been performed relating to this "Official Statement".