

NEW ISSUE
(Book Entry Only)

S&P Rating – “__”
See “RATING” herein.

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), (1) the interest on the Series 2022 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax, (2) the interest on the Series 2022 Bonds is exempt from Missouri income taxation by the State of Missouri and (3) the Series 2022 Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. See “TAX MATTERS” in this Official Statement.

MISSOURI DEVELOPMENT FINANCE BOARD

**[\$[Principal Amount]*
Infrastructure Facilities Refunding Revenue Bonds
(City of Independence, Missouri, Annual Appropriation
Electric System Revenue Bonds)
Series 2022**

Dated: Date of Issuance

Due: See Inside Cover Page

The Series 2022 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Principal of and semiannual interest on the Series 2022 Bonds will be paid from moneys available therefore under the Indenture (herein defined) by UMB Bank, N.A., Kansas City, Missouri, as Trustee and Paying Agent. Principal of the Series 2022 Bonds will be due as shown on the inside cover page. Interest on the Series 2022 Bonds will be payable on each June 1 and December 1, beginning on _____ 1, 2022.

The Series 2022 Bonds are subject to redemption prior to maturity as described herein. See “THE SERIES 2022 BONDS-Redemption.”

The Series 2022 Bonds will be payable solely from, and will be secured by: (i) loan payments (defined herein) made by the City, pursuant to the annually renewable Financing Agreement described herein between the Missouri Development Finance Board (the “Board”) and the City of Independence, Missouri (the “City”), and (ii) certain other funds held by the Trustee under the Indenture. See “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2022 BONDS.”

Payment of the principal of and interest on the Series 2022 Bonds is not secured by any deed of trust, mortgage or other lien on any portion of the City’s Electric System described herein or any other facilities or property of the City.

THE SERIES 2022 BONDS ARE NOT AN INDEBTEDNESS OF BOARD, THE CITY, THE STATE OF MISSOURI OR ANY OTHER POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY PROVISION OF THE CONSTITUTION OR LAWS OF THE STATE OF MISSOURI. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWERS OF THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2022 BONDS. THE ISSUANCE OF THE SERIES 2022 BONDS SHALL NOT, DIRECTLY, INDIRECTLY OR CONTINGENTLY, OBLIGATE THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF TO LEVY ANY FORM OF TAXATION THEREFORE OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT, EXCEPT AS OTHERWISE DESCRIBED HEREIN. THE BOARD HAS NO TAXING POWER.

The Series 2022 Bonds are offered when, as and if issued by the Board and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, as described herein. Certain legal matters will be passed upon for the Underwriter by its counsel, FisherBroyles, LLP. Certain legal matters will be passed on for the City by Lauber Municipal Law, LLC, Lee’s Summit, Missouri, serving as the City Counselor of Independence, Missouri, and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Series 2022 Bonds will be available for delivery through DTC on or about May __, 2022.

Morgan Stanley

The date of this Official Statement is April __, 2022.

* Preliminary, subject to change.

[\$[Principal Amount]]*
Missouri Development Finance Board
Infrastructure Facilities Refunding Revenue Bonds
(City of Independence, Missouri, Annual Appropriation
Electric System Revenue Bonds)
Series 2022

Dated: Date of Issuance

Due: June 1 as shown below

Maturity Schedule**

Serial Bonds

<u>June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Offering Price</u>	<u>CUSIP No.</u>[†]
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Term Bonds

\$ _____	Term Bonds due June 1, 20__	Interest Rate: _____%	Offering Price: _____%	CUSIP No. [†] _____
\$ _____	Term Bonds due June 1, 20__	Interest Rate: _____%	Offering Price: _____%	CUSIP No. [†] _____
\$ _____	Term Bonds due June 1, 20__	Interest Rate: _____%	Offering Price: _____%	CUSIP No. [†] _____

* Preliminary, subject to change.

** Preliminary, subject to change. Serial maturities may be aggregated into one or more term bonds with mandatory sinking fund payments. Similarly, any maturities shown as term bonds may be restructured as serial maturities.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc.. Copyright© 2021 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Board, the City, the Municipal Advisor or the Underwriter takes any responsibility for the accuracy of such numbers.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Board, the City, the Municipal Advisor or the Underwriter 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 must not be relied upon as having been authorized by any of the foregoing. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact. The information set forth herein has been obtained from the Board, the City and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Board, the Municipal Advisor or the Underwriter. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of its responsibilities to investors, under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Board or the City since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2022 BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2022 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2022 BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY BOARD. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

This Official Statement contains “forward-looking statements.” These forward-looking statements include statements about the City’s projections and future plans and strategies, and other statements that are not historical in nature. These forward-looking statements are based on the current expectations of the City. When used in this Official Statement, the words “project,” “estimate,” “intend,” “expect” and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve future risks and uncertainties that could cause actual results and experience to differ materially from the anticipated results or other expectations expressed in forward-looking statements. These future risks and uncertainties include but are not limited to those discussed in the **“BONDOWNERS’ RISKS”** section of this Official Statement. The City undertakes no obligation to update any forward-looking statements contained in this Official Statement to reflect future events or developments.

The City maintains a website, however, the information presented therein is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Series 2022 Bonds. References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

EXCEPT FOR INFORMATION CONCERNING THE BOARD IN THE SECTIONS OF THIS OFFICIAL STATEMENT CAPTIONED “THE BOARD” AND “LITIGATION – The Board,” NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE BOARD AND THE BOARD MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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OFFICIAL STATEMENT

[\$[Principal Amount]*
Missouri Development Finance Board
Infrastructure Facilities Refunding Revenue Bonds
(City of Independence, Missouri, Annual Appropriation
Electric System Revenue Bonds)
Series 2022

INTRODUCTION

The following introductory statement is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the Cover Page and Appendices, must be considered in its entirety. All capitalized terms used in this Official Statement that are not otherwise defined herein shall have the meanings ascribed to them in Appendix D hereto.

Purpose of the Official Statement

This Official Statement, including the cover page and the Appendices, sets forth certain information in connection with: (i) the issuance and sale by the Missouri Development Finance Board, a body corporate and politic of the State of Missouri (the “Board”), of the above-described series of bonds (the “Series 2022 Bonds”); (ii) the City of Independence, Missouri (the “City”); (iii) the City’s Electric System (the “Electric System”); (iv) the refunding of the Board’s Infrastructure Facilities Revenue Bonds (City of Independence, Missouri, Annual Appropriation Electric System Revenue Bonds - Dogwood Project), Series 2012A (the “Series 2012A Bonds”) and Infrastructure Facilities Leasehold Improvement and Refunding Revenue Bonds (City of Independence, Missouri - Electric System Projects), Series 2012F (the “Series 2012F Bonds,” the outstanding principal amounts of the Series 2012A Bonds and the Series 2012F Bonds being, collectively, the “Refunded Bonds”); and (v) the security for the Series 2022 Bonds.

The Board

The Board is a body corporate and politic duly created and existing under the laws of the State of Missouri, including particularly the Missouri Development Finance Board Act, Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, as amended (the “Act”). See **“THE BOARD”** herein.

The City

The City of Independence, Missouri (the “City”) is a constitutional charter city and political subdivision of the State of Missouri. See the caption **“THE CITY”** herein and **“APPENDIX A: INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI.”**

The Series 2022 Bonds

The Series 2022 Bonds are being issued pursuant to the Act and a Bond Trust Indenture dated as of May 1, 2022 (together with any other amendments and supplements thereto, being referred to herein as the “Indenture”), between the Board and UMB Bank, N.A., Kansas City, Missouri (the “Trustee”), for the purpose of providing funds to make available to the City to: (i) refund the Refunded Bonds; (ii) fund a debt service reserve for the Series 2022 Bonds; and (iii) pay the costs of issuance of the Series 2022 Bonds. All references to the Series 2022 Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the Indenture.

* Preliminary, subject to change.

Security for the Series 2022 Bonds

The Series 2022 Bonds are special, limited obligations of the Board payable as described herein. See **“SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS-Source of Payment; Limited Obligation”** herein.

The Series 2022 Bonds are payable solely from, and secured by: (i) a pledge of loan payments made by the City pursuant to the Financing Agreement dated as of May 1, 2022 between the Board and the City (the “Financing Agreement”), and (ii) certain other funds held by the Trustee under the Indenture. Payments under the Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of and interest on the Series 2022 Bonds.

Proceeds of the Series 2022 Bonds will be used to defease and refund the Refunded Bonds. The Financing Agreement provides that the City will make loan payments to the Board in amounts equal to the principal of and interest payments on the Series 2022 Bonds (the “Loan Payments”). The Loan Payments are subject to annual appropriation by the City Council from available revenues of the Electric System after payment of operation and maintenance expenses of the Electric System and payments related to outstanding revenue bonds payable from Electric System revenues (as more fully described herein, the “Available Electric Revenues”). Pursuant to the Financing Agreement the City has covenanted to: (i) request in budget proposals submitted to the City Council the appropriation of Available Electric Revenues to make Loan Payments; (ii) restrict the issuance of additional System Revenue Bonds (as defined herein) and other obligations payable from appropriations of Available Electric Revenues as described herein; and (iii) fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the Electric System as will produce revenues sufficient to pay the Loan Payments and Additional Payments as described herein. See **“SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS”** herein.

The Board’s \$47,180,000 original principal amount Infrastructure Facilities Leasehold Revenue Bonds (City of Independence, Missouri - Electric System Projects), Series 2016D (the “Series 2016D Bonds”) were issued under a separate bond trust indenture from the Series 2022 Bonds, but are also payable from Available Electric Revenues and will remain outstanding following the issuance of the Series 2022 Bonds.

Bondowners’ Risks

Payment of the principal of and interest on the Series 2022 Bonds is dependent upon the City’s decision to continue to annually appropriate sufficient moneys to provide for the payment of the Loan Payments and other risks. See **“BONDOWNERS’ RISKS”** for a discussion of certain risks.

Continuing Disclosure

The City will execute a Continuing Disclosure Undertaking for the benefit of the owners of the Series 2022 Bonds to provide certain annual financial information and notices of the occurrence of certain material events. A form of the Continuing Disclosure Undertaking is attached to this Official Statement in **Appendix I**.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in **Appendix D** of this Official Statement. Brief descriptions of the Board, the City, the Series 2022 Bonds, the Indenture, the Financing Agreement and the Continuing Disclosure Undertaking are included in this Official Statement. Summaries of certain of such documents are included in this Official Statement in **Appendix D**. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which are available upon request to the Underwriter, Morgan Stanley, at 1585 Broadway, 16th Floor, New York, NY 10036, during the period of the offering and, thereafter, upon request to the Trustee.

THE BOARD

General

The issuer of the Series 2022 Bonds is the Missouri Development Finance Board (the “Board”). The Board is a body corporate and politic created and existing under the laws of the State of Missouri, including particularly the Missouri Development Finance Board Act, Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, as amended (the “Act”). The Series 2022 Bonds will be authorized and issued by the Board under the provisions of the statutes of the State of Missouri, including the Act. Missouri law requires that the State shall not be liable in any event for the payment of the principal of or interest on any bonds of the Board or for the performance of any pledge, mortgage, obligation or agreement undertaken by the Board and no breach of any such pledge, mortgage, obligation or agreement may impose any pecuniary liability upon the State or any charge upon the general credit or taxing power of the State.

Organization and Membership

The Board was established pursuant to the Act in 1982 and consists of twelve members, eight of which are appointed by the Governor, with the advice and consent of the Senate. The Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources serve as ex-officio, voting members of the Board. No more than five of the members may be of the same political party except for the Lieutenant Governor, the Director of the Department of Economic Development, the Director of the Department of Agriculture and the Director of the Department of Natural Resources. Appointed members serve terms of four years. Each member of the Board continues to serve until a successor has been duly appointed and qualified, unless such position becomes vacant under Missouri law.

Mark Stombaugh serves as Executive Director of the Board.

As of the date hereof, the members of the Board and the terms of appointed members are as follows. There is one vacancy on the board.

- **Marie J. Carmichael** – Chair, term as a member expired September 14, 2020. Ms. Carmichael is owner of Affordable Homes Development in Springfield, Missouri.
- **Matthew L. Dameron** – Secretary, term as a member expired September 14, 2019. Mr. Dameron is a partner with Williams Dirks Dameron LLC in Kansas City, Missouri.
- **John E. Mehner** – Treasurer, term as a member expired September 14, 2019. Mr. Mehner is President and CEO of the Cape Girardeau Area Chamber of Commerce in Cape Girardeau, Missouri.
- **Brent T. Buerck** – term as a member expires September 14, 2022. Mr. Buerck is the City Administrator of the City of Perryville, Missouri.
- **Dan E. Cranshaw** - term as a member expires September 14, 2022. Mr. Cranshaw is a shareholder at Polsinelli PC.
- **Rick Holton, Jr.** - term as a member expires September 14, 2022. Mr. Holton is Managing Partner of FINTOP Capital in St. Louis, Missouri.
- **John M. Parry** – term as a member expires September 14, 2024. Mr. Parry is chief executive officer of The Parry Group, a holding company for health care properties in Liberty, Missouri

- **Mike Kehoe** – ex-officio member. The Honorable Mike Kehoe is the Lieutenant Governor of the State of Missouri.
- **Maggie Kost** – ex-officio member. Ms. Kost is the Acting Director of the Department of Economic Development.
- **Chris Chinn** – ex-officio member. Ms. Chinn is the Director of the Department of Agriculture.
- **Dru Buntin** – ex-officio member. Mr. Buntin is the Director of the Department of Natural Resources.

Other Indebtedness of the Board

The Board has sold and delivered other bonds and notes secured by instruments separate and apart from, and not secured by, the Indenture securing the Series 2022 Bonds. The holders and owners of such bonds and notes have no claim on assets, funds or revenues of the Board pledged under the Indenture, and the owners of the Series 2022 Bonds will have no claim on assets, funds or revenues of the Board securing other bonds and notes. The Board has never defaulted on any of its bonds or notes.

With respect to additional indebtedness of the Board, the Board intends to enter into separate agreements for the purpose of providing financing for other eligible projects and programs. Issues that may be sold by the Board in the future will be created under separate and distinct indentures or resolutions and secured by instruments, properties and revenues separate from those securing the Series 2022 Bonds.

EXCEPT FOR INFORMATION CONCERNING THE BOARD IN THE SECTIONS OF THIS OFFICIAL STATEMENT CAPTIONED “**THE BOARD**” AND “**LITIGATION – THE BOARD**,” NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE BOARD AND THE BOARD MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE CITY

The City is a constitutional charter city and a political subdivision of the State of Missouri. The City is the fifth largest city in the State of Missouri, located in Jackson County, Missouri, in the west central portion of the State of Missouri, bordering a portion of the eastern boundary of Kansas City, Missouri. The City is governed according to a Council Manager Plan. The City Council, which consists of seven members, including the Mayor, is the legislative governing body of the City. Non partisan elections are held every two years to provide for staggered terms of office. The Mayor and two at large council members are elected to four-year terms and, in alternating elections, the four district council members are elected to four-year terms. Information concerning the City is set forth in **Appendix A** attached to and made a part of this Official Statement.

The City provides electricity through the operation of the Electric System. The operations of the Electric System are accounted for in the City’s financial statements as business-type activities and grouped with the other enterprise funds administered by the City, including the sewer fund, the water fund and the events center fund. The power and light fund (the “Power and Light Fund”) accounts for the acquisition, operation, and maintenance of the City’s electric utility facilities and services.

THE SERIES 2022 BONDS

General Description

The Series 2022 Bonds are dated the date of issuance and delivery thereof, are issuable only in the form of fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof, and mature in the amounts on June 1 of the years and bear interest at the rates per annum, payable on June 1 and December 1 of each year, commencing on _____ 1, 2022, as shown on the inside cover page of this Official Statement. The principal of the Series 2022 Bonds is payable by check or draft of the Trustee only upon presentation and surrender thereof at the corporate trust office of the Trustee located in Kansas City, Missouri. Interest on the Series 2022 Bonds is payable by check or draft of the Trustee mailed to the person in whose name each Bond is registered on the registration books of the Board maintained by the Trustee on the fifteenth day of the month immediately preceding the applicable interest payment date, or by electronic transfer to any registered owner of \$500,000 or more in aggregate principal amount of the Series 2022 Bonds upon written notice given to the Trustee by such registered owner not less than five days prior to the applicable Record Date (with electronic transfer instructions including the bank which must be located in the continental United States, ABA routing number and account name and account number). Purchases of the Series 2022 Bonds will be made in book-entry only form (as described below), in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Series 2022 Bonds will not receive certificates representing their interests in the Series 2022 Bonds purchased. If the specified date for any payment on the Series 2022 Bonds is a date other than a Business Day, such payment may be made on the next Business Day without additional interest and with the same force and effect as if made on the specified date for such payments.

Book-Entry Only System

General. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2022 Bonds. The Series 2022 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2022 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2022 Bonds, the Beneficial Owners of the Series 2022 Bonds will not receive or have the right to receive physical delivery of the Series 2022 Bonds, and references herein to the Bondowners or registered owners of the Series 2022 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2022 Bonds.

DTC and its Participants. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on such website is not incorporated herein by such reference or otherwise.

Purchase of Ownership Interests. Purchases of Series 2022 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2022 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 Bonds, except in the event that use of the book-entry system for the Series 2022 Bonds is discontinued.

Transfers. 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 Series 2022 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022 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.

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 Series 2022 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2022 Bonds may wish to ascertain that the nominee holding the Series 2022 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2022 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 issue to be redeemed.

Voting. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of Principal and Interest. Redemption proceeds, distributions, and dividend payments on the Series 2022 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 Board or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuation of Book Entry System. DTC may discontinue providing its services as depository with respect to the Series 2022 Bonds at any time by giving reasonable notice to the Board or the Bond Trustee. Under

such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Board, the City and the Underwriter believe to be reliable, but the Board, the City and the Underwriter take no responsibility for the accuracy thereof, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the DTC Participant, as the case may be.

Redemption

The Series 2022 Bonds are subject to redemption and payment prior to maturity as follows:

Optional Redemption. The Series 2022 Bonds are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after June 1, 20__, in whole or in part at any time at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Series 2022 Bonds maturing on June 1, 20__ are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each June 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>June 1</u>	<u>Principal Amount</u>
	\$

*

*Final Maturity

The Series 2022 Bonds maturing on June 1, 20__ are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each June 1 on the dates and in the amounts set forth below, at 100% of the principal amount thereof plus accrued interest to the redemption date, without premium:

<u>June 1</u>	<u>Principal Amount</u>
	\$

*

*Final Maturity

The Trustee shall, in each year in which the Series 2022 Bonds are to be redeemed pursuant to the terms of the mandatory sinking fund requirements of the Indenture summarized above make timely selection of such bonds or portions thereof to be so redeemed in \$5,000 units of principal amount by lot or in such other equitable manner as the Trustee may determine and shall give notice thereof without further instructions from the Board or the City. At the option of the City, to be exercised on or before the 45th day next preceding each mandatory redemption date, the City shall: (1) deliver to the Trustee for cancellation Bonds of the same maturity in the aggregate principal amount desired; or (2) furnish to the Trustee funds, together with appropriate instructions, for the purpose of purchasing any of said Bonds of the same maturity from any owner thereof in the open market at a price not in

excess of 100% of the principal amount thereof, whereupon the Trustee shall use its best efforts to expend such funds for such purposes to such extent as may be practical; or (3) elect to receive a credit in respect to the mandatory redemption obligation under this subsection for any Bonds of the same maturity which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Trustee and not theretofore applied as a credit against any redemption obligation under this subsection. Each Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation of the Board to redeem Bonds of the same maturity on the next mandatory redemption date that is at least 45 days after receipt by the Trustee of such instructions from the City any excess of such amount shall be credited on future mandatory redemption obligations for Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2022 Bonds of the same maturity to be redeemed on such future mandatory redemption dates by operation of the requirements of this paragraph shall be reduced accordingly. If the City intends to exercise any option granted by the provisions of clauses (1), (2) or (3) of this paragraph, the City will, on or before the 45th day next preceding the applicable mandatory redemption date, furnish the Trustee an Officer's Certificate indicating to what extent the provisions of said clauses (1), (2) and (3) are to be complied with, and the Series 2022 Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Notice of Redemption. Notice of redemption, unless waived, is to be given by the Trustee by mailing an official redemption notice by first class mail at least thirty (30) days prior to the date fixed for redemption, to the Underwriter and each registered owner of each of the Series 2022 Bonds to be redeemed at the address shown on the Register of the Board maintained by the Trustee under the Indenture. Notice of redemption having been given as aforesaid, the Series 2022 Bonds or portions of Bonds to be redeemed shall, on the date fixed for redemption, become due and payable at the redemption price therein specified, and from and after such date (unless the Board defaults in the payment of the redemption price) such Bonds or portions of Bond will cease to bear interest.

The failure of any registered owner to receive notice given as described above or any defect in such notice will not invalidate any redemption.

For so long as DTC is effecting book-entry transfers of the Series 2022 Bonds, the Trustee shall provide the notices specified in this Section to DTC. It is expected that DTC will, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of DTC or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond (having been mailed notice from the Trustee, DTC, a Participant or otherwise) to notify the beneficial owner of the Series 2022 Bond so affected, shall not affect the validity of the redemption of such Bond.

Selection of Bonds for Redemption. Series 2022 Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. When less than all of the Outstanding Series 2022 Bonds are to be redeemed, such Series 2022 Bonds shall be redeemed from the Stated Maturities selected by the Board, at the direction of the City, and Series 2022 Bonds of less than a full Stated Maturity shall be selected by the Paying Agent in \$5,000 units of principal amount by lot or in such other equitable manner as the Paying Agent may determine.

Transfer Outside Book-Entry Only System

If the book-entry only system is discontinued, the following provisions would apply. The Series 2022 Bonds are transferable only upon the registration books of the Trustee upon surrender of the Series 2022 Bonds duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney or legal representative in a form satisfactory to the Trustee. Bonds may be exchanged for other Bonds of any denomination authorized by the Indenture in the same aggregate principal amount, series and maturity, upon presentation to the Trustee, subject to the terms, conditions and limitations set forth in the Indenture. The Trustee may make a charge for every such transfer or exchange sufficient to reimburse the Trustee for any tax or other governmental charge required to be paid with respect to any such exchange or transfer.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Series 2022 Bonds, but neither the failure to print such numbers on any Bonds, nor any error in the printing of such numbers, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS

Source of Payment; Limited Obligation

The Series 2022 Bonds are special, limited obligations of the Board payable solely from, and secured by: (i) a pledge of Loan Payments made by the City pursuant to the Financing Agreement, and (ii) certain other funds held by the Trustee under the Indenture. The Series 2022 Bonds are not an indebtedness of the Board, the State of Missouri, the City or any other political subdivision thereof within the meaning of any provision of the constitution or laws of the State of Missouri. Neither the full faith and credit nor the taxing powers of the State, the City or any other political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2022 Bonds. The issuance of the Series 2022 Bonds shall not, directly, indirectly or contingently, obligate the State, the City or any other political subdivision thereof to levy any form of taxation therefor or to make any appropriation for their payment, except as otherwise described herein. The Board has no taxing power.

The Financing Agreement

The Financing Agreement provides that the City will make Loan Payments to the Board. Loan Payments will be equal to principal of and interest payments on the Series 2022 Bonds. The Loan Payments are subject to annual appropriation by the City Council. The Financing Agreement is a year to year agreement that is automatically renewed if the City appropriates the Loan Payments and Additional Payments. The taxing power of the City is not pledged to the payment of Loan Payments or Additional Payments.

Subject to annual appropriation by the City, payments under the Financing Agreement will be made from and will be secured by a pledge of all revenues of the Electric System, less amounts necessary (a) to pay the costs of operating, maintaining and repairing the Electric System, (b) paying the principal and interest on any System Revenue Bonds described herein, and (c) if necessary, replenishing any debt service reserve funds established for any System Revenue Bonds (the "Available Electric Revenues").

System Revenue Bonds include any outstanding bonds of the City payable from a pledge of the revenues of the Electric System. System Revenue Bonds exclude any outstanding bonds payable from a pledge of revenues that is subject to annual appropriation, such as the Series 2022 Bonds and the Series 2016D Bonds. System Revenue Bonds must be approved by a majority of the voters of the City. **The City currently has no System Revenue Bonds Outstanding. There are currently no plans to issue System Revenue Bonds and the City does not have any authorized but unissued System Revenue Bonds.** However, the City may, with the approval of the voters of the City, authorize and issue System Revenue Bonds in the future. **Debt service on any future System Revenue Bonds issued by the City would have a lien on Revenues (as defined herein) prior to the payment of any annual appropriation obligations from Available Electric Revenues.**

PILOTS. The City Charter provides that the Electric System shall not be operated for the benefit of other municipal functions of the City, and shall not be used directly or indirectly as a general revenue producing agency for the City, but the Electric System may pay to the City an amount in lieu of such taxes as are normally placed upon private business enterprises. Such payments are referred to herein as the PILOTS or payments in lieu of taxes. PILOTS include (a) a charge at the rate of 9.08% on gross revenues of all City utilities, including the Electric System, (b) an amount equal to the real property tax that would have been paid in each year by City utilities, including the Electric System, if such utilities were privately owned, and (c) an amount equal to 2.25% in lieu of sales tax on local purchases made for the Electric System that would have been paid by a private purchaser. Pursuant to the City Charter, PILOTS are payable from Available Electric Revenues. The Financing Agreement and the Indenture also allow PILOTS to be paid from Available Electric Revenues. In addition, reasonably allocated

amounts for services provided to the Electric System qualify as “Expenses” (as defined in **Appendix D**) of the Electric System under the Financing Agreement and the Indenture. See also “**FINANCIAL INFORMATION RELATED TO THE ELECTRIC SYSTEM - Related-Party Transactions; Payments in Lieu of Taxes.**”

City Annual Appropriation Obligation

The City’s obligations under the Financing Agreement are payable solely from Available Electric Revenues. The Financing Agreement contains the following provisions with respect to the City’s annual appropriation obligation:

Annual Appropriation. The City intends, on or before the last day of each Fiscal Year, to budget and appropriate moneys sufficient to pay all Loan Payments and reasonably estimated Additional Payments for the next succeeding Fiscal Year from Available Electric Revenues. The City shall deliver written notice to the Trustee no later than 15 days after the commencement of its Fiscal Year stating whether or not the City Council has appropriated funds sufficient for the purpose of paying the Loan Payments and Additional Payments reasonably estimated to become due during such Fiscal Year. If the City Council shall have made the appropriation necessary to pay the Loan Payments and reasonably estimated Additional Payments to become due during such Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the City’s Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

The City has never failed to appropriate funds with respect to any of its annual appropriation obligations.

Annual Budget Request. The City Manager or other officer of the City at any time charged with the responsibility of formulating budget proposals shall include in the budget proposals submitted to the City Council, in each Fiscal Year in which the Financing Agreement shall be in effect, an appropriation for all payments required for the ensuing Fiscal Year; it being the intention of the City that the decision to appropriate or not to appropriate under the Financing Agreement shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments under the Financing Agreement. The City reasonably believes that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained from Available Electric Revenues. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City’s Director of Finance and Administration is directed to do all things lawfully within his or her power to obtain and maintain funds from which the Loan Payments and Additional Payments may be paid, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval or by supplemental appropriation in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget or supplemental appropriation is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds is to be made in accordance with the City’s normal procedures for such decisions.

The City Manager’s budget request for appropriations related to Loan Payments and Additional Payments to be made during the 2022-2023 Fiscal Year is anticipated to be presented to the City Council in May 2022.

Loan Payments to Constitute Current Expenses of the City. The Board and the City acknowledge and agree that the Loan Payments and Additional Payments under the Financing Agreement shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitation or

requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Financing Agreement constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments under the Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Series 2022 Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing in the Financing Agreement shall be construed to limit the rights of the owners of the Series 2022 Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Other Financing Agreement Covenants

Rate Covenant. The City covenants in the Financing Agreement that, subject to applicable legal requirements, it will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the Electric System as will produce revenues sufficient to (a) pay the Expenses of the Electric System; (b) pay Debt Service Requirements; and (c) enable the City to have Net Revenues Available for Debt Service of not less than 110% of the amounts payable pursuant to (b). The City will, from time to time as often as necessary, in accordance with and subject to applicable legal requirements, revise the rates and charges for the Electric System in such manner as may be necessary or proper so that revenues of the Electric System will be sufficient to cover the obligations under the Financing Agreement. If in any fiscal year revenues of the Electric System are, or are projected to be, an amount less than the amounts described above, the City will immediately employ a consultant to make recommendations with respect to such rates and charges. A copy of the consultant's report and recommendations shall be filed with the City's Director of Finance and Administration and the Board. The City shall, to the extent feasible, follow the recommendations of the consultant.

Limitation on Additional Financings. The City covenants in the Financing Agreement that it will not issue any additional bonds (including System Revenue Bonds) or incur any additional annual appropriation obligations payable from the Revenues of the Electric System unless the City delivers to the Trustee (i) a certificate of the City's Director of Finance concluding that, based upon the audited financial statements of the City, the Net Revenues Available for Debt Service for the preceding Fiscal Year were not less than 110% of the maximum annual payments on all Existing Obligations and the additional bonds or annual appropriation obligations proposed to be issued or incurred, or (ii) a report of an independent consultant retained by the City concluding that the projected Net Revenues Available for Debt Service for the first full Fiscal Year following the Fiscal Year in which the project is expected to be placed in commercial operation are projected to be not less than 110% of the maximum annual payments on all Existing Obligations and the additional bonds or annual appropriation obligations proposed to be issued or incurred. The term "Existing Obligations" means Debt Service Requirements on all bonds or annual appropriation obligations payable from the Revenues of the Electric System. The term "System Revenue Bonds" means bonds or other revenue obligations payable from a pledge of the revenues of the Electric System, and excludes any outstanding bonds payable from a pledge of Revenues that is subject to annual appropriation by the City.

The City may refund System Revenue Bonds or other annual appropriation obligations payable from the Revenues in a manner which provides present value debt service savings to the City.

The following terms, as used above, have the meanings set forth below. Definitions of other capitalized terms used above or in such definitions, but not otherwise defined, are contained in **Appendix D**.

"Debt Service Requirements" means the total of (i) the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on all System Revenue Bonds, (ii) the Loan Payments and Additional Payments, and (iii) payments associated with any other bonds or other lease-purchase or annual appropriation obligations

payable from Available Electric Revenues, in each case for the period of time for which calculated; provided, however, that for purposes of calculating such amount, such payments shall be excluded from the determination of Debt Service Requirements to the extent that such payments are payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company located in the State of Missouri and having full trust powers.

“Expenses” means all reasonable and necessary expenses of operation, maintenance and repair of the Electric System and keeping the Electric System in good repair and working order (other than interest paid on System Revenue Bonds and depreciation and amortization charges during the period of determination), determined in accordance with accounting principles generally accepted in the United States of America, including without limiting the generality of the foregoing, current maintenance charges, expenses of reasonable upkeep and repairs, salaries, wages, costs of materials and supplies, Paying Agent fees and expenses, annual audits, periodic consultant’s reports, properly allocated share of charges for insurance, the cost of purchased water, gas and power, if any, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short term obligations incurred and payable within a particular fiscal year, other obligations or indebtedness incurred for the purpose of leasing (pursuant to a true or operating lease) equipment, fixtures, inventory or other personal property, and all other expenses incident to the operation of the Electric System, but shall exclude all general administrative expenses of the City not related to the operation of the Electric System and payments in lieu of taxes.

“Net Revenues Available for Debt Service” means Revenues of the Electric System, less Expenses of the Electric System.

“Revenues” means all income and revenues derived from the operation of the Electric System, including investment and rental income, net proceeds from business interruption insurance, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on System Revenue Bonds, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets.

Payment of PILOTS from Available Electric Revenues. Subject to the requirements of ordinances, if any, of the City authorizing System Revenue Bonds, the City Charter and Missouri law, payments in lieu of taxes may be paid from Available Electric Revenues in each Fiscal Year provided that moneys sufficient to pay all the Loan Payments and reasonably estimated Additional Payments, together with payments associated with any other annual appropriation obligations payable from Available Electric Revenues for that Fiscal Year, have been budgeted and appropriated by the City.

Limitation on Increases to PILOTS. The City covenants in the Financing Agreement that the City will not increase the rate of any component of the payments in lieu of taxes charged to the Electric System in a manner that causes the projected Net Revenues Available for Debt Service, as calculated by the City’s Director of Finance, for the first full Fiscal Year in which such increase is to be effective, to be less than the Debt Service Requirements.

Cash Reserve Policy. The City shall maintain a cash reserve policy for the Electric System at all times in the form and substance of the Electric System Cash Reserve Policy (as defined and described below under the heading **“FINANCIAL INFORMATION RELATED TO THE ELECTRIC SYSTEM – Cash Reserve Policy”**) or as otherwise recommended to the City by an independent consultant retained by the City for the prudent operation of the Electric System. Such policy shall address the anticipated risk of change in revenues and expenses as well as the sufficiency of working capital in light of the Electric System billing cycle and uncertainties in collections and provide flexibility in execution of routine and unexpected capital projects. The City Manager or other officer of the City at any time charged with the responsibility of formulating budget proposals shall include in the budget proposals submitted to the City Council, in each Fiscal Year in which this Financing Agreement shall be in effect, a total cash reserve recommendation for the Electric System representing at least 50% of such policy minimum, but no less than \$25,000,000.

Debt Service Reserve Fund

****[No debt service reserve fund has been established for the Series 2022 Bonds.]**or**[The Indenture creates a debt service reserve fund, to be funded in the amount of \$_____ with respect to the Series 2022 Bonds at the time of issuance of the Series 2022 Bonds (the initial “Debt Service Reserve Fund Requirement”). However, the Debt Service Reserve Fund Requirement is subject to reduction on any date upon which a portion of the Series 2022 Bonds is deemed to be paid and discharged and no longer Outstanding under the Indenture, to an amount equal to the least of (a) 10% of the original principal amount of the Series 2022 Bonds (or, if the Series 2022 Bonds were sold with more than a de minimis amount of original issue discount or premium, the issue price of the Series 2022 Bonds, excluding pre-issuance accrued interest, as those terms are defined in the Code, shall be used in the calculation), (b) the maximum annual principal and interest requirements for the Series 2022 Bonds during any Fiscal Year subsequent to such date, and (c) 125% of the average annual principal and interest requirements for the Series 2022 Bonds during each Fiscal Year subsequent to such date in which the Series 2022 Bonds remain Outstanding, as computed and determined by the City and specified in writing to the Trustee in accordance with the Indenture, provided that no such calculation shall result in an increase to the Debt Service Reserve Fund Requirement for the Series 2022 Bonds over the amount required immediately prior to such calculation, and further provided that no such calculation shall affect the face amount under any Debt Service Reserve Policy.**

All amounts paid and credited to the Debt Service Reserve Fund for the account of the Series 2022 Bonds shall be expended and used by the Board solely to prevent any default in the payment of interest on or principal of the Series 2022 Bonds on any Interest Payment Date if the moneys in the Debt Service Fund are insufficient to pay the interest on or principal of the Series 2022 Bonds as they become due. So long as the Debt Service Reserve Fund aggregates the Debt Service Reserve Fund Requirement, no further payments into said Fund shall be required, but (a) if the Board shall ever be required to expend and use a part of the moneys in said Fund for the purpose authorized and such expenditure shall reduce the amount of said Fund below the Debt Service Reserve Fund Requirement, the City shall, after all payments and credits required at the time to be made under the provisions of the ordinances authorizing System Revenue Bonds for operations, maintenance and debt service and replenishing reserves have been made, make twelve substantially equal monthly payments into the Debt Service Reserve Fund beginning the first day of the month subsequent to such expenditure until said Fund shall again aggregate the Debt Service Reserve Fund Requirement, or (b) if the aggregate of cash and the value of investments in the Debt Service Reserve Fund on any valuation date is less than 95% of the Debt Service Reserve Fund Requirement, the City shall, after all payments and credits required at the time to be made under the provisions of the ordinances authorizing System Revenue Bonds for operations, maintenance and debt service and replenishing reserves have been made, make three substantially equal monthly payments into the Debt Service Reserve Fund beginning the first day of the month subsequent to such valuation date until said Fund shall again aggregate the Debt Service Reserve Fund Requirement.

The Debt Service Reserve Fund Requirement for the Series 2022 Bonds may be satisfied by a Debt Service Reserve Policy guaranteeing payments into the Debt Service Reserve Fund in accordance with the requirements of the Indenture. A “Debt Service Reserve Policy” means a surety bond or similar instrument issued by a bank, insurance company or other financial institution with a credit rating in one of the two highest rating categories of any nationally recognized rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise), for the purpose of satisfying all or any portion of the Debt Service Reserve Fund Requirement.]**

Additional Bonds

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds payable from amounts received by the Board from the City pursuant to a Supplemental Financing Agreement for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by resolutions adopted by the Board and the City; (2) the Board and the City shall have entered into a Supplemental Financing Agreement to acknowledge that Loan Payments are revised to the extent necessary to provide for the payment of the principal of, redemption premium, if any, and interest on the

* Preliminary, subject to change.

Additional Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Financing Agreement; and (3) the Board and the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Bonds and the execution of the Supplemental Financing Agreement.

The Series 2016D Bonds were issued under a separate bond trust indenture from the Series 2022 Bonds, but are also payable from appropriations of Available Electric Revenues. Debt service on any future System Revenue Bonds issued by the City would have a lien on Revenues prior to the payment of any annual appropriation obligations from Available Electric Revenues.

PLAN OF FINANCE

Estimated Sources and Uses of the Proceeds of the Series 2022 Bonds

The proceeds from the sale of the Series 2022 Bonds are currently estimated to be applied as follows:

Sources of Funds:

- Principal amount
- Reoffering Premium (Discount)
- City Contribution
- Prior Debt Service Reserve Funds
- Total sources of funds

Uses of Funds:

- Deposit to the Escrow Fund
- Debt Service Reserve Fund
- Costs of Issuance[†]
- Total uses of funds

[†]Costs of Issuance include underwriter's discount.

Refunded Bonds

To effect the refunding of the Refunded Bonds, a portion of the proceeds of the Series 2022 Bonds, together with other moneys available to the City for such purpose, will be deposited in an Escrow Fund created under an letter of instructions (the "**Escrow Agreement**") from the Board and the City to the Trustee, as Escrow Agent, and used to [**purchase certain securities and**] establish an initial cash balance. The moneys [**and securities**] deposited in the Escrow Fund will be sufficient to pay the applicable principal, redemption price and interest due on the two series of Refunded Bonds through the date of their redemption or maturity, as applicable. The Escrow Agent will transfer sufficient moneys for the payment and redemption of the Refunded Bonds on the redemption dates thereof to the Trustee, as paying agent for the Refunded Bonds. Set forth below is a description of the Refunded Bonds:

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Series 2012A Refunded Bonds

<u>Maturity Date</u>	<u>Principal Outstanding</u>	<u>Interest Rate</u>	<u>Principal Refunded</u>	<u>CUSIP Number</u>	<u>Redemption Price</u>	<u>Redemption Date</u>
6/1/22	\$1,055,000	5.000%	\$1,055,000	60636C 5T2	n/a ⁽¹⁾	6/1/22 ⁽²⁾
6/1/23	1,110,000	5.000	1,110,000	60636C 5U9	100%	6/1/22
6/1/24	995,000	4.000	995,000	60636C 5V7	100%	6/1/22
6/1/25	2,200,000	5.000	2,200,000	60636C 5W5	100%	6/1/22
6/1/26	2,315,000	5.000	2,315,000	60636C 5X3	100%	6/1/22
6/1/27	2,430,000	5.000	2,430,000	60636C 5Y1	100%	6/1/22
6/1/28	2,555,000	5.000	2,555,000	60636C 5Z8	100%	6/1/22
6/1/29	2,675,000	4.375	2,675,000	60636C 6A2	100%	6/1/22
6/1/31	5,730,000	5.000	5,730,000	60636C 6C8	100%	6/1/22
6/1/37 ⁽³⁾	20,000,000	5.000	20,000,000	60636C 6D6	100%	6/1/22
6/1/37 ⁽³⁾	11,545,000	4.750	11,545,000	60636C 6E4	100%	6/1/22

Series 2012F Refunded Bonds

<u>Maturity Date</u>	<u>Principal Outstanding</u>	<u>Interest Rate</u>	<u>Principal Refunded</u>	<u>CUSIP Number</u>	<u>Redemption Price</u>	<u>Redemption Date</u>
6/1/22	\$3,155,000	4.000%	\$3,155,000	606042 BY4	n/a ⁽¹⁾	6/1/22 ⁽²⁾
6/1/23	3,285,000	4.000	3,285,000	606042 BZ1	100%	6/1/22
6/1/24	3,630,000	4.000	3,630,000	606042 CA5	100%	6/1/22
6/1/25	1,920,000	3.000	1,920,000	606042 CB3	100%	6/1/22
6/1/26	1,970,000	3.000	1,970,000	606042 CC1	100%	6/1/22
6/1/27	2,035,000	3.000	2,035,000	606042 CD9	100%	6/1/22
6/1/32	11,305,000	4.000	11,305,000	606042 CE7	100%	6/1/22
6/1/37	9,400,000	4.000	9,400,000	606042 CF4	100%	6/1/22

⁽¹⁾ The Series 2012A Refunded Bonds and Series 2012F Refunded Bonds maturing on June 1, 2022 are not callable and will be paid from the Escrow Fund on such date.

⁽²⁾ The “Redemption Date” shown for non-callable bonds is the maturity date of such bonds on which such bonds will be paid from the Escrow Fund.

⁽³⁾ The final maturity of the Series 2012A Refunded Bonds was split to allow different interest rates for portions sold with and without bond insurance.

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ELECTRIC SYSTEM REVENUE OBLIGATIONS

Outstanding Obligations

Obligations payable from appropriations of Available System Revenues are listed below:

<u>Series</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding as of 05/___/2022</u>
MDFB Infrastructure Facilities Revenue Bonds (City of Independence, Missouri, Annual Appropriation Electric System Revenue Bonds – Dogwood Project) Series 2012A	04/05/2012	06/01/2037	\$55,185,000	\$0*
MDFB Infrastructure Facilities Leasehold Improvement and Refunding Revenue Bonds (City of Independence, Missouri – Electric System Projects) Series 2012F	12/13/2012	06/01/2037	52,525,000	0*
MDFB Infrastructure Facilities Leasehold Revenue Bonds (City of Independence, Missouri – Electric System Projects) Series 2016D	09/29/2016	06/01/2046	47,180,000	_____
MDFB Infrastructure Facilities Revenue Bonds (City of Independence, Missouri, Annual Appropriation Electric System Revenue Bonds) Series 2022	05/___/2022	06/01/2037	_____	_____
Total Outstanding =				\$ _____

*To be refunded with proceeds of the Series 2022 Bonds and other available funds.

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Debt Service Requirements

The following table sets forth the annual debt service on all bonds payable from appropriations of Available System Revenues, net of anticipated debt service reserve fund releases at final maturity:

<u>Fiscal Year Ended 6/30</u>	<u>Series 2016D Bonds¹</u>	<u>Series 2022 Bonds</u>	<u>Total²</u>
2023	\$1,789,994	\$ _____	\$ _____
2024	1,789,994	_____	_____
2025	1,789,994	_____	_____
2026	1,789,994	_____	_____
2027	1,789,994	_____	_____
2028	1,789,994	_____	_____
2029	1,789,994	_____	_____
2030	1,789,994	_____	_____
2031	1,789,994	_____	_____
2032	1,789,994	_____	_____
2033	1,789,994	_____	_____
2034	1,789,994	_____	_____
2035	1,789,994	_____	_____
2036	1,789,994	_____	_____
2037	1,789,994	_____	_____
2038	6,294,994	_____	_____
2039	6,293,169	_____	_____
2040	6,295,213	_____	_____
2041	6,295,819	_____	_____
2042	6,294,725	_____	_____
2043	6,293,875	_____	_____
2044	6,295,275	_____	_____
2045	6,293,600	_____	_____
2046	<u>2,348,292</u>	_____	_____
Total ²	\$79,554,872	\$ _____	\$ _____

¹ Assumes debt service reserve for Series 2016D Bonds will be used to pay the final maturity.

² May not add due to rounding.

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Historical Debt Service Coverage

The following table represents historical debt service coverage for bonds payable from appropriations of Available System Revenues. For additional discussion regarding operating results for Fiscal Years ended June 30, 2020 and 2021, see “**FINANCIAL INFORMATION RELATED TO THE ELECTRIC SYSTEM** – The Power and Light Fund – Operating Results for FY 2020 and FY 2021” herein.

<u>Fiscal Year Ended June 30:</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Operating Revenues					
Receipts from Customers	\$137,945,902	\$148,047,728	\$145,164,378	\$128,575,740	\$128,548,974
Other Income	887,433	1,861,678	4,448,581	4,191,493	1,106,567
Total Revenues*	138,833,335	149,909,406	149,612,959	132,767,233	129,655,541
Expenses*	103,916,192	107,058,654	102,668,316	100,302,200	105,215,502
Net Revenues Available for Debt Service*	34,917,143	42,850,752	46,944,643	32,465,033	24,440,039
Debt Service Requirements	10,137,431	10,721,700	10,722,250	11,645,350	10,535,050
Coverage Ratio	3.44x	4.00x	4.38x	2.79x	2.32x
Payments in Lieu of Taxes (PILOT)	\$13,312,979	\$14,052,880	\$14,130,811	\$12,757,506	\$12,602,965
Coverage Ratio, including PILOT	2.13x	2.69x	3.06x	1.69x	1.12x

* See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS – Other Financing Agreement Covenants – Rate Covenant” for definitions of “Revenues,” “Expenses” and “Net Revenues Available for Debt Service.”

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Long-Term Power Purchase Agreement Obligations

The City is obligated to make certain minimum payments under power purchase agreements related to the Nebraska City Unit No. 2 and the Iatan Unit 2. See “**ELECTRIC SYSTEM OPERATIONS – Electric System Capacity and Power Supplies**” herein. These payments are considered operating Expenses of the System. The following table sets forth the annual payments under these agreements used to pay debt service on bonds issued by the owners of the generating facilities:

<u>Calendar Year</u>	<u>Nebraska City Unit No. 2</u>	<u>Iatan Unit 2</u>	<u>Total¹</u>
2022	\$4,535,148	\$ 9,291,197	\$13,826,345
2023	4,535,168	9,292,805	13,827,973
2024	4,536,924	9,293,184	13,830,108
2025	4,535,796	9,290,070	13,825,866
2026	4,533,002	9,288,966	13,821,968
2027	4,535,473	9,289,153	13,824,626
2028	4,535,526	9,314,289	13,849,815
2029	4,536,311	9,292,850	13,829,161
2030	4,542,082	9,291,120	13,833,202
2031	4,536,774	9,292,224	13,828,998
2032	4,536,501	9,291,011	13,827,512
2033	4,538,468	9,293,791	13,832,259
2034	4,538,729	9,293,313	13,832,042
2035	4,536,655	9,291,781	13,828,436
2036	4,537,564	3,524,625	8,062,189
2037	4,538,168	3,522,875	8,061,043
2038	4,538,670	3,523,609	8,062,279
2039	4,119,267	-	4,119,267
2040	4,117,728	-	4,117,728
2041	4,119,541	-	4,119,541
2042	4,117,635	-	4,117,635
2043	4,119,209	-	4,119,209
2044	4,119,629	-	4,119,629
2045	4,120,132	-	4,120,132
2046	4,307,168	-	4,307,168
2047	4,282,379	-	4,282,379
2048	3,500,770	-	3,500,770
Total ¹	\$118,050,414	\$140,676,863	\$258,727,280

¹ May not add due to rounding.

DESCRIPTION OF THE ELECTRIC SYSTEM

General Background

The Power & Light Department (the “Department” or “IPL”) is responsible for the operation of the Electric System which provides electrical service to its customers. The Department began operation in 1901 with two reciprocating steam engine generators which had a combined rating of 700 kilowatts. This plant was subsequently redesigned with steam turbine generators eventually replacing the steam engine driven generators. From 1901 to 1955 all improvements were financed by revenues without resorting to outside capital. Since 1955, utility expansion and improvements have been financed with a combination of revenue bonds and utility revenues.

The Department serves retail customers only within the limits of the City. Prior to August 1, 1997 the Department’s service territory consisted of 48.68 square miles, while the City limit area is 78 square miles. On August 1, 1997 the City purchased the electric distribution system from the Kansas City Power & Light Company, which had been serving the remaining 29.5 square miles, except for the area occupied by the Lake City Arsenal, a United States Government Reservation (approximately 6.5 square miles). The purchase of the KCPL distribution

properties added approximately 1,442 residential and small commercial customers to the Department's service territory. On August 1, 1997 the Kansas City Power & Light Company was granted a 20 year non-exclusive franchise to continue serving the Lake City Arsenal United States Government Reservation area. On November 18, 2019, the City Council extended the non-exclusive franchise for an additional 20 years.

During the fiscal year ended June 30, 2021, the Department served on average 59,745 customers, total electric sales (retail and wholesale) were 1,106,350 megawatt-hours and the maximum hourly peak load was 261 megawatts.

Governance

The City owns all of the Electric System assets and the City Council retains ultimate control over the Department and the Electric System. The Department is established by City Charter. The City Charter authorizes an Electric Utility Director to administer the Department.

The City Charter also establishes a Public Utilities Advisory Board (the "PUAB"), composed of seven members appointed by the council for overlapping four year terms. The PUAB may conduct public hearings on matters relating to public utilities, may inspect all public utilities, may recommend to the executive or legislative officials of the city, programs for the financing, use, ownership, service, operation or franchising of public utilities operated within the city, including but not limited to recommendations regarding rate adjustments, long-range planning, the equipment and termination of the services of consultants to the city, the review of recommendations made by consultants to the City, the issuance of debt obligations of the City and the construction and expansion of existing facilities. The PUAB is required to report its findings and recommendations at least annually to the City Council. The PUAB does not have any legislative power.

The City Charter requires that the electric system be "operated in a businesslike manner." The City Charter further provides that the Electric System shall not be operated for the benefit of other municipal functions of the City, and shall not be used directly or indirectly as a general revenue producing agency for the City, but the Electric System may pay to the City an amount in lieu of such taxes as are normally placed upon private business enterprises.

Management

Overall administration of the Department and development of basic department policy is performed by the Electric Utility Director and his staff. The Electric Utility Director is responsible for the operation of the utility and is appointed by the City Manager.

The key managerial staff of the Department and a brief summary of their professional backgrounds are listed as follows:

James Nail – Director. Mr. Nail was appointed as General Manager in 2019 was named the Department Director in October 2020. He holds a BS degree from the United States Naval Academy. He joined the department in 2004, holding leadership positions in Production Operations and NERC Compliance. He has over 30 years of management and leadership experience including 10 years in the Navy's Nuclear Submarine program and a tour in Afghanistan.

Joseph Hegendeffner - Deputy Director. Mr. Hegendeffner was appointed Deputy Director on November 8, 2021. He has nearly 20 years of industry experience with 10 years at Evergy (formerly Kansas City Power & Light) in multiple leadership roles, and 6 years in the US Navy operating and maintaining nuclear power and propulsion plants. He holds a BS degree from Thomas Edison State University in Nuclear Engineering Technology and an EMBA from Quantic School of Business and Technology.

Paul Biesemeyer- Transmission & Distribution Manager. Mr. Biesemeyer has worked in the department since 1998. He was promoted to Substation Superintendent in 2013 & co-Manager in 2020. In 2021, he was promoted to Manager.

Eric Holder – Environmental Health & Safety Supervisor. Mr. Holder has managed the EHS Division since September 2010 and has been with the Department since 2008. He holds a BS degree from the University of Texas and an MS from Kansas University. He is a licensed Certified Safety Professional and a Board-Certified Environmental Scientist. Prior to joining the Department, he served in various leadership positions with Black & Veatch and Booz Allen and Hamilton.

Elaine Kaifes – Production Operations Superintendent. Ms. Kaifes was appointed to her position in 2006. She holds a BSME from Kansas State University and an MBA from Rockhurst College. She has over 36 years of electric power experience with both the Department and a local investor-owned utility.

Mitch Krysa – Power Engineering Manager. Mr. Krysa was appointed Power Engineering Manager in 2020 after serving as the Acting Manager since 2018. He holds a BSEE from University of Missouri-Rolla (MST) and a MSEE from University of Missouri-Columbia. He is a registered Professional Engineer in Missouri and an active member of MSPE and NSPE. He has worked in the electric utility industry for over 46 years. He serves on the NCEES FE Exam Committee.

Paul Lampe – System Operations Manager. Mr. Lampe was appointed System Operations Manager in August of 2013. He holds a BSEE degree from University of Missouri-Rolla and an MSEE from Kansas State University. He has worked at the Department since November of 1999 serving in the Engineering & System Operations areas of the Department. Prior to employment with the Department, he served for seven years with a major international engineering consulting firm.

Mike Murray – Security and NERC Compliance Manager. Mr. Murray was appointed Security and NERC Compliance Manager in July of 2018. He has been with the Department since 2000. He holds an undergraduate degree in Psychology/English, a Juris Doctor degree from the University of Missouri at Kansas City (UMKC) Law School and is a member of the Missouri Bar Association. Prior to employment with the Department, he owned and operated several successful small businesses.

Mary Kay Villegas-Alitz - Support Services Manager. Mrs. Villegas-Alitz was appointed Support Services Manager in January of 2013. She joined the Department in June 2008. She holds a BA degree from the University of St. Mary's and an MBA from Baker University. Prior to joining the Department, she served over 10 years in various leadership positions with Kansas City Power & Light and 12 years with IBM.

Organization

The Department is divided into eight divisions: 1) Administration; 2) Environmental Health & Safety; 3) Security and NERC Compliance; 4) Customer and Support Services; 5) Production; 6) Transmission and Distribution; 7) Engineering; and 8) System Operations.

Administration Division - The Administration Division includes the general administration of the Department, power supply planning, safety, environmental compliance, accounting and reporting functions, contract administration, purchasing procedures, financial planning, and retail and wholesale rate development.

Environmental Health & Safety Division - The Environmental Health & Safety (EHS) Division is responsible for maintaining compliance with all federal, state and local environmental laws as well as protecting the health and safety of IPL employees thereby fulfilling two key components of IPL's Mission to "safely provide low-cost, environmentally-friendly, and reliable electric energy service".

Security and NERC Compliance Division - The Security/NERC Compliance Division is responsible for managing IPL compliance with NERC Critical Infrastructure Protection (CIP) and Operations & Planning Reliability Standards.

Customer and Support Services Division - The Customer and Support Services Division includes utility vehicle repair and maintenance, warehousing and inventory control, energy conservation rebate programs, marketing and customer services functions and physical security of plant.

Production Division - The Production Division operates and maintains all wholly owned City power generating plant facilities.

Transmission and Distribution Division - The Transmission and Distribution Division has control over the construction, operation and maintenance of the transmission and distribution facilities of the Department, including meter reading and field services.

Engineering Division - The Engineering Division is responsible for the planning, estimating, drafting and oversight of all transmission, distribution and substation projects.

System Operations Division - The System Operations Division is responsible for the dispatch control of power generation, energy market operations, transmission system operations, after hours system security, trouble dispatch, outage management, communications, and traffic signals.

The Department is also provided support services from other departments of the City. These support services include purchasing, accounting, legal, customer service and billing and other administrative services. For fiscal year 2021, the Department was billed \$4,647,448 by the other departments of the City for such support services. The Department also provides customer meter reading service to the City's Water and Water Pollution Control departments. For fiscal year 2021, the Department billed \$1,556,982 for meter reading and field services to these other departments.

Employee Relations

As of January 1, 2022 the Department had 179 budgeted full-time positions, of which 133 are hourly personnel and 46 are salaried personnel engaged in Administration, Environmental Health & Safety; Security and NERC Compliance, Customer and Support Services, Production, Transmission and Distribution, Engineering, and System Operations.

Hourly employees at the Department are represented by the International Brotherhood of Electrical Workers Local No. 53 ("IBEW"). There have been no work stoppages, slow downs or strikes since September 1, 1978. The current agreement between the City and the IBEW became effective January 16, 2022 and terminates on October 31, 2024.

The City complies with its statutory duty to meet and confer with the IBEW representative concerning wages and working conditions.

A significant portion of the City's journeyman lineman class employees have left the Department over the last 12 months in pursuit of higher paying jobs within the construction industry, which is an issue being experienced by municipal utilities currently. The City is approximately 60-70% staffed within this job sector at present. The reduced number of available linemen has increased overtime expenses, but has not increased overall personnel costs above budgeted amounts. The reduced number of available linemen is causing some delay in completing capital projects.

Employee Retirement Plan; Other Post-Employment Benefits

The City (including the Electric System) participates in the Missouri Local Government Employees Retirement System (LAGERS) for all of its employees. LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with Missouri laws. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt.

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of credited service are entitled to an allowance for life based upon the established benefit program. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

The City is required by state statute to contribute to LAGERS at an actuarially determined rate. The Electric System contributes based on Electric System employees. The current rate is 20.3% of the annual covered payroll, which rate will increase to 21.3% effective July 1, 2022. For the years ended June 30, 2021 and 2020, the Electric System's annual pension expense of \$3,557,876 and \$3,580,321, respectively, was equal to the required and actual contributions.

In addition to LAGERS, the City provides post-employment healthcare benefits ("OPEB") to all retired employees meeting the service criteria for this benefit. From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in a future year when it actually will be paid. See **"Appendix A – THE CITY - Post-Employment Health Benefits."**

Risk Management

The Department's risk management program consists of a combination of self-insured and insured components with sizable retention (deductible) levels. See **"Appendix A – THE CITY - Insurance."**

The Department's self-insured and retention components are supported by various cash funded reserves. See **"FINANCIAL INFORMATION RELATED TO THE ELECTRIC SYSTEM - Cash Reserve Policy"** herein.

Loss control efforts consist of a variety of programs supported by safety and training personnel, in-house legal/investigation staff, a variety of safety committees and contract review by legal and risk management staff. Claims administration is currently handled by human resources, risk management, legal, and third-party administrators.

Environmental Compliance Risks

The Department has three (3) closed and capped coal combustion residuals (CCR) impoundments. These were closed under the EPA's 2015 CCR Rule (40 CFR parts 257 and 261), and specifically closed under the Inactive CCR Surface Impoundment provisions of the Rule (§257.100) in December 2017. The Courts vacated the inactive surface impoundment provisions of the Rule August 21, 2018, and remanded the regulation of legacy impoundments back to EPA. The long-term maintenance of the Department's former CCR impoundments are currently regulated under Missouri State Operating Permit MO-0115924. Under the State's Operating Permit, the Department has thus far completed a Site Characterization Workplan, Site Characterization Report, Groundwater Sampling and Analysis Plan, and conducted two (2) quarterly groundwater sampling events. By Permit, groundwater monitoring around the former impoundments is scheduled to continue for at least 6 more quarters at the end of which groundwater will be statistically evaluated for potential health impacts. Under the EPA CCR Rule, the Department is required to maintain a publicly accessible repository of closure documents which can be found at https://www.ci.independence.mo.us/PL/CCRRuleCompliance_BVGS. The Department is monitoring the activities of EPA regarding inactive surface impoundments and will comply with any future compliance revisions.

See **"CERTAIN REGULATORY FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY"** in this Official Statement for discussions of industry environmental regulatory requirements. Any changes in the environmental regulatory requirements imposed by federal or state law which are applicable to the Electric System could result in increased capital and operating costs being incurred by the Electric System. The City is unable to predict whether any changes will be made to current environmental regulatory requirements and if such changes will be applicable to the Electric System.

The Department is in compliance with the current regulations and expects to comply with future regulations through a combination of unit commitment strategy, use of compliant fuel, participation in cap and trade programs, and/or future environmental equipment enhancements.

Impacts of COVID-19

The Department has continued to serve its customers during the COVID-19 pandemic without interruption. None of the Electric System's generation facilities has had material impacts to its operations as a direct result of the pandemic. Revenue reductions were experienced in 2020 and 2021 in part due to the COVID pandemic and significant reduction in commercial electrical use. As the pandemic continues to subside and disconnects for failure of payment resumed, the majority of accounts were paid in full. Revenues and account delinquencies have returned to pre-pandemic levels. See also "**BONDOWNERS' RISKS – Effects of COVID-19**" herein.

Impacts of Winter Storm Uri

An unprecedented weather event in February 2021 (Winter Storm Uri) resulted in unusually high natural gas and purchased power costs. As a result of the event, natural gas purchases were approximately \$4.5 million more than anticipated. Additionally, the fuel oil purchases were approximately \$1.8 million higher than anticipated due to running local generation on fuel oil.

As a member of the Southwest Power Pool ("SPP"), the Electric System was impacted by the market shift in electric pricing during the weather event. Although various Electric System generating facilities were used to make off-system sales at a higher margin, the Electric System was a net purchaser during the weather event. These higher electric purchased power costs during the event resulted in an approximately \$12 million higher than anticipated expenditures.

The additional costs of fuel and purchased power incurred during Winter Storm Uri are being passed on to customers via the Fuel Cost Adjustment (FCA) rider over the next three years. See "**ELECTRIC RATES**" herein.

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ELECTRIC SYSTEM OPERATIONS

Summary of Operations

The Electric System consists of six City-owned oil and natural gas fired generating peaking units, as well as transmission and distribution assets. In addition, the Electric System has long-term purchase contracts for coal, wind, solar and natural gas-powered generation and capacity. The Department is subject to North American Electric Reliability Corporation (“NERC”) requirements, which help maintain the reliability of the electric grid. NERC is the Electric Reliability Organization (“ERO”) for North America, subject to oversight by the Federal Energy Regulatory Commission (“FERC”). NERC has delegated responsibility to monitor and enforce compliance to Regional Entities, the Department reports to the Midwest Reliability Organization, which is based in St. Paul, MN.

Power Generation, Revenue Produced and Customers Served

	Fiscal Years Ending June 30,				
	2017	2018	2019	2020	2021
Energy Supplied (MWH)					
Net Generation, City Power Plants	175,655	229,936	291,844	338,033	232,187
Purchased Power Energy from	965,124	943,127	963,756	961,497	930,253
Other Utilities					
Unintentional Interchange	0	0	0	0	0
Gross Energy Supplied	1,140,778	1,173,063	1,255,600	1,299,530	1,162,440
Energy Sold to Other Utilities	(76,826)	(79,107)	(186,957)	(255,018)	(140,234)
Total energy, City Load	1,063,952	1,093,956	1,068,642	1,044,512	1,022,206
Border Customer Purchases	968	1,080	1,506	1,085	1,125
Total Energy, City Load and City Border Customers	1,064,919	1,095,036	1,070,148	1,045,597	1,023,332
Border Customers Sales	(3,176)	(2,967)	(2,429)	(2,029)	(1,698)
Total Energy, City System	1,061,743	1,092,069	1,067,719	1,043,568	1,021,634
Consumption By Classes (MWh) ⁽¹⁾					
Residential	514,711	534,524	540,384	517,310	501,566
Commercial	445,155	445,580	432,700	422,343	413,080
Industrial	60,772	64,679	52,967	50,993	49,577
Other	3,755	3,927	1,111	1,118	195
Total Retail Sales	1,024,394	1,048,710	1,027,162	991,764	964,418
Sold to Other Utilities (Inc. border customers)	80,002	82,074	189,386	257,046	141,932
Total MWh Sales	1,104,397	1,130,783	1,216,548	1,248,810	1,106,350
Revenue by Classes (\$000) ⁽¹⁾					
Residential	\$71,368	\$76,223	\$76,873	\$69,507	\$67,426
Commercial	55,067	56,522	52,656	48,512	47,513
Industrial	4,464	5,152	3,898	3,549	3,454
Other	238	302	274	156	104
Total Retail Sales	\$131,136	\$138,200	\$133,701	\$121,724	\$118,497
Sold to Other Utilities	1,751	3,088	5,780	5,620	5,040
Total	\$132,887	\$141,287	\$139,481	\$127,344	\$123,537
Average Number of Meters (Total System)	57,123	57,413	59,418	59,693	59,745
Average Number of Meters (Residential)	52,043	52,340	54,166	54,418	54,633

⁽¹⁾ Includes change in unbilled MWh and Revenue.

Southwest Power Pool Integrated Marketplace

The City is a member of the SPP, which is a Regional Transmission Organization (“RTO”). As an RTO, SPP is mandated by the FERC to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity for the region.

SPP centrally administers the Integrated Marketplace and manages overall resource dispatch, planning, and system operations. SPP is responsible for the role of the area balancing authority and is responsible for these reliability functions and supporting interconnection frequency in real-time. Currently, the SPP RTO footprint includes parts of 17 states.

The City is a market participant in SPP and is currently participates in the integrated market. The integrated market (IM) allows market participants to bid in resources and demand in the day-ahead market to serve the needs of its members in the most cost-effective manner possible, while allowing SPP to manage congestion and power flows throughout the region. The IM also includes a real-time market to balance demand and generation supply.

The City offers essentially all of its generation and purchases much of its most of its energy load requirement from the SPP market in accordance with the SPP tariff. In fiscal year 2021, the Electric System had sales of \$4.7 million (140,238 MWh) and purchased power of \$7.2 million (146,337 MWh). The City participates in the ancillary services market operated by SPP. The ancillary market is an extension of the existing energy market in which SPP assumes responsibility for maintaining sufficient generation for regulation and reserves. As part of the City’s offer in the market, the City may sell regulation and reserves from its generating units.

Historical Electric System Demand and Supply – SPP Capacity Requirements

Calendar Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
System Load (GWh)	1,108	1,103	1,097	1,155	1,150	1,190	1,137	1,075	1,158	1,133	1,114	1,068	1,054	1,029	1,074	1,041	1,111	1,061	1,016	1,034
<u>Resources (MW)</u>																				
Missouri City	38	38	38	38	38	38	38	38	38	38	38	38	38	38	-	-	-	-	-	-
Blue Valley	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	98	54	-	-
Substation H	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Substation I	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33
Substation J	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26	26
RCT	50	50	50	50	50	50	50	50	50	50	50	-	-	-	-	-	-	-	-	-
Montrose	90	90	90	90	90	90	90	90	90	90	-	-	-	-	-	-	-	-	-	-
Smoky Hills II	-	-	-	-	-	-	-	4	4	4	4	4	4	4	4	4	4	4	4	4
Nebraska City 2	-	-	-	-	-	-	-	55	55	55	55	55	55	55	55	55	58	58	58	58
Iatan 2	-	-	-	-	-	-	-	-	53	53	53	53	53	53	53	53	53	53	53	53
Dogwood	-	-	-	-	-	-	-	-	-	-	-	75	75	75	75	75	75	75	75	80
Marshall	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1	7	7	7
MCP Solar Farms	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Oneta	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45	45
Total Capacity (MW)	370	370	370	370	370	370	370	429	482	482	392	417	417	417	380	380	383	345	335	340
Demand + Reserves (MW)	363	363	363	369	369	369	364	360	356	351	342	338	336	340	342	344	341	332	327	325
Capacity Surplus/Deficit	7	7	7	2	2	2	6	70	126	131	50	79	81	78	38	37	42	13	8	16

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Electric System Capacity and Power Supplies

Summary of Power Supplies. Electric System resources currently consist of 340.4 MW of accredited generating capacity from owned generation and long-term purchased power and capacity agreements. These power supply resources are summarized below.

Power Supply Resources

	<u>Fuel</u>	<u>Current Accredited Net Capacity (MW)</u>	<u>Year of Initial Operation</u>	<u>Year Contract Terminates</u>
<u>City Owned and Operated Units</u>				
Substation Generation – Combustion Turbine Units				
J-1 (Substation J)	oil	12.3	1968	---
J-2 (Substation J)	oil	13.3	1968	---
I-1 (Substation I)	oil	17.2	1972	---
I-2 (Substation I)	oil	15.8	1972	---
H-1 (Substation H)	gas/oil	17.1	1972	---
H-2 (Substation H)	gas/oil	<u>17.7</u>	1974	---
Total IPL System (City Owned)		93.4		
<u>Jointly Owned Units</u>				
Dogwood Energy Facility ⁽¹⁾	gas	80.1	2001	---
<u>Contract Resources</u>				
OPPD – Nebraska City Unit No. 2	coal	57.6	2009	2049
MJMEUC – Iatan Unit No. 2	coal	53.0	2010	2038
Marshall Wind Farm ⁽²⁾	wind	7.3	2016	2036
Smoky Hills Wind Farm Phase 2 ⁽³⁾	wind	4.0	2008	2028
MCP – Independence ⁽⁴⁾	solar	n/a	2017	2042
MCP – Independence II ⁽⁴⁾	solar	n/a	2018	2043
Oneta LLC ⁽⁵⁾	gas	<u>45.0</u>	2020	2029
Total Contract Resources		166.9		
Total Resources		340.4		

⁽¹⁾ The Dogwood Energy Facility is a large natural-gas fired combined cycle generating facility with a total accredited net capacity of 610 MW. The City purchased a 12.3% ownership share in this facility on April 5, 2012.

⁽²⁾ The City has an agreement to purchase 20 MW of energy from the Marshall Wind Farm.

⁽³⁾ The City has an agreement to purchase 15 MW of energy from the Smoky Hills Wind Farm – Phase 2.

⁽⁴⁾ The Solar Power Purchase Agreements alleviate the Department's Resource Adequacy Requirement by reducing peak demand.

⁽⁵⁾ The City has a Power Purchase Agreement with Oneta Power LLC for up to 60 MW of capacity accredited in SPP.

Recent Power Supply Retirements. Blue Valley Power Plant, a 3-unit combined capacity of 115 MW coal, was switched to all gas for a fuel source in 2016. The plant was completely retired in June 2020.

Substation Generation. The Department continues to operate 6 combustion turbine units, 2 each at 3 different substations.

Dogwood Energy Facility. On April 5, 2012, the Department purchased a 12.3% undivided interest (approximately 75 MW) in the Dogwood Energy Facility – a nominal 610 megawatt natural gas-fired combined cycle generating plant located in Pleasant Hill, Missouri. The facility was originally developed as a joint venture between Aquila, Inc. and Calpine Corporation and was placed into commercial operation in two phases: first as a peaking facility during the summer of 2001 and then as a combined cycle plant on February 27, 2002. In addition to the Department, the Kansas Power Pool ("KPP"), the Missouri Joint Municipal Electric Utility Commission ("MJMEUC"), the Unified Government of Wyandotte County ("KCBPU"), and the Kansas Municipal Energy Agency ("KMEA") also own 10.3%, 16.4%, 17.0% and 10.1% shares respectively of the Dogwood Energy Facility. Dogwood Energy, LLC maintains the remaining ownership share (33.9%) in the facility.

Each of the owners has entered into certain project agreements that provide for the joint ownership and operation of the Dogwood Facility. Under the project agreements, each of the owners are responsible for their respective share of the fixed operation and maintenance costs, the variable operating costs including fuel, and renewals and replacements of the facility. A summary of events of default and remedies available under the participation agreement among the owners is attached hereto as **Appendix E**. Such summary does not purport to be comprehensive or definitive. The Participation Agreement is available upon request to the City, for review.

The Department utilized tax-exempt bonds to finance the purchase price of its interest in the Dogwood Energy Facility, consisting of the Series 2012A Bonds being refunded in part with proceeds of the Series 2022 Bonds.

OPPD – Nebraska City Unit No. 2. In January 2004, the Department entered into a participation power agreement with the Omaha Public Power District (“OPPD”). Under this agreement, the City purchases an 8.33% share (approximately 57 MW) of a 682 MW coal-fired baseload generating unit at OPPD’s existing Nebraska City power station site (Nebraska City Unit 2). The agreement provides that OPPD is the owner/operator of the unit and OPPD sells the Department’s share of the output on a cost-based approach. OPPD issued tax-exempt bonds to pay for the construction of the unit and the City is obligated to pay its proportionate share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel and renewals and replacements of the unit. The unit began commercial operation on May 1, 2009. The term of the agreement is 40 years from the commercial operation date and can be extended by the Department for the life of the unit. The future minimum payments (Department’s portion of the debt service) are approximately \$118 million through the year 2049.

During fiscal year 2021, the delivered cost of capacity and energy under the agreement, including all demand, energy, and debt service was approximately \$14,800,000 for 390,633 MWh of wholesale energy. For fiscal year 2022, the projected costs under the agreement are estimated to be approximately \$17,000,000.

MJMEUC – Iatan Unit 2. In June 2006, the Department entered into a unit power purchase agreement with MJMEUC. Under this agreement, the Department purchases a 50% share (approximately 53 MW) of MJMEUC’s 106 MW ownership share of the nominal 875 MW Iatan 2 coal-fired generating unit located at Kansas City Power & Light Company’s (“KCPL”) existing power station site in Weston, Missouri. The agreement provides that MJMEUC sells the Department’s share of the output on a cost-based approach. MJMEUC issued tax-exempt bonds to pay for its share of the construction of the unit and the Department is obligated to pay its share of the debt service on the bonds, the fixed operation and maintenance costs, the variable operating costs including fuel, renewals and replacements of the unit and related administrative costs incurred by MJMEUC. The unit began commercial operations on December 31, 2010. The term of the agreement is 40 years from the commercial operation date and can be extended by the City for the life of the proposed unit. The future minimum payments (Department’s portion of the debt service) are approximately \$140 million through the year 2038.

During fiscal year 2021, the delivered cost of capacity and energy under the agreement, including all demand, energy, and debt service was approximately \$19,200,000 for 266,817 MWh of wholesale energy. For fiscal year 2022, the projected costs under the agreement are estimated to be approximately \$20,000,000.

Marshall Wind Farm. In May 2015, the Department entered into a renewable energy purchase agreement with Marshall Wind Energy LLC. Under this agreement, the Department purchases a 27.78% share (20 MW) of a 72 MW wind farm generation project located in north central Kansas. The agreement provides that the Department will purchase its share of the energy output of the Marshall Wind project and will pay a flat fixed rate (in dollars per MWh) for the entire term of the agreement. Energy deliveries from the wind farm began on March 22, 2016 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties.

During fiscal year 2021, the cost of the energy purchases was approximately \$2,200,000 for 66,448 MWh of wholesale energy. For fiscal year 2022, the projected costs under the agreement are estimated to be approximately \$2,800,000.

Smoky Hills Wind Farm Phase 2. In August 2008, the Department entered into a renewable energy purchase agreement with Smoky Hills. Under this agreement, the Department purchases a 10.10% share (15 MW) of a 148.5 MW wind farm generation project located in north-central Kansas. The agreement provides that the Department will purchase its share of the energy output of the Smoky Hills project and will pay a flat fixed rate (in dollars per MWh) for the entire term of the agreement. Energy deliveries from the wind farm began on December 8, 2008 and will continue for a term of 20 years with certain renewal options at the mutual agreement of the parties.

During fiscal year 2021, the cost of the energy purchases was approximately \$2,000,000 for 39,781 MWh of wholesale energy. For the fiscal year 2022, the projected costs under the agreement are estimated to be approximately \$2,800,000.

MCP Solar. In November 2015, the Department entered into a renewable energy purchase agreement with MCP-Independence LLC. Under this agreement, the Department purchases power generated from a 3 MW AC photovoltaic solar farm located in the City. In July 2017, the Department entered into a second renewable energy purchase agreement with MCP to expand the solar farm by 8.5 MW. Both agreements provide that the Department will purchase all energy output of the projects and will pay a flat fixed rate (in dollars per KWh) for the entire 25-year term of the agreements. Energy deliveries from the solar farm began on March 15, 2017 and deliveries for the expansion began on June 14, 2018.

During fiscal year 2021, the cost of the energy purchased was approximately \$1,400,000 for 19,255 MWh of wholesale energy. For the fiscal year 2022, the projected costs under the agreement are estimated to be approximately \$1,500,000.

Oneta. In May 2019, the Department entered into a capacity-only agreement with Oneta Power LLC, for the purchase of 46 MW of capacity from the Oneta Generating Facility for a 10 year term. Oneta Generating Facility is a 1,133 MW natural gas-fired combined cycle plant located in Coweta, Oklahoma. During delivery years 1-5, the Department has the right to increase the quantity of the contract capacity (up to 70 MW total, the “Reserved Capacity”) for any remaining years of the delivery term. Beginning in delivery year 6, in the event Oneta is interested in pursuing a transaction with a third party for any portion of the Reserved Capacity that is not yet committed to the Department, Oneta shall give the Department advance notice, and the Department has the right, exercisable within a specified number of days following the notice, to add such portion of the Reserved Capacity to the contract capacity (in lieu of Oneta transacting with a third party for such portion). Any adjustment of contract capacity shall not fall below the level of contract capacity for the previous delivery year.

During fiscal year 2021, the cost of the capacity purchased was approximately \$1,200,000. For the fiscal year 2022, the projected costs under the agreement are estimated to be approximately \$1,200,000.

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Future Power Requirements

The Department believes that existing resources are sufficient to meet its projected annual system peak load, including 12% reserves (SPP reserve requirement), through 2028. Projected electric supply and demand, based on Department estimates, are shown in the table below.

Calendar Year	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<u>Resources (MW)</u>											
Substation H	35	35	35	35	35	35	35	35	35	35	35
Substation I	33	33	33	33	33	33	33	33	33	33	33
Substation J	26	26	26	26	26	26	26	26	26	26	26
Smoky Hills II	4	4	4	4	4	4	-	-	-	-	-
Nebraska City 2	58	58	58	58	58	58	58	58	58	58	58
Iatan 2	53	53	53	53	53	53	53	53	53	53	53
Dogwood	80	80	80	80	80	80	80	80	80	80	80
Marshall	7	7	7	7	7	7	7	7	7	7	7
MCP Solar Farms	-	-	-	-	-	-	-	-	-	-	-
Oneta	45	45	45	45	45	45	45				
Total Capacity (MW)	340	340	340	340	340	340	336	291	291	291	291
Peak Load Forecast	285	286	287	288	289	290	291	292	293	294	295
Demand + Reserves (MW)	319	320	321	323	324	325	326	327	328	329	330
Capacity Surplus/Deficit	21	20	19	18	17	16	11	-36	-37	-38	-39

In September 2018, Burns & McDonnell Engineering Company prepared for the City an Energy Master Plan (the “Master Plan”) to provide planning assistance for short-term and long-term power supply needs, and to identify reliable, low-cost and environmentally compliant power to serve customers. The Master Plan reviewed the Electric System’s existing resources, forecast load growth, and made recommendations for the replacement of capacity requirements either through purchase power agreements, firm capacity purchases, or the addition/replacement of owned generating assets. The Master Plan recommended retirement of the Blue Valley units, and retaining the existing substation generating units. An Request For Proposal (RFP) was suggested to identify low cost capacity resources to meet resource adequacy retirements if Blue Valley is retired. The Master Plan recommended continued evaluation of future on-system generation if, and when, it becomes needed for reliability or economics.

In August 2021, Power Engineers prepared for the City a Generating Siting Study (the “Siting Study”) to evaluate the most cost-effective solution of replacement of up to 108 MW of generation at a few select locations within the Electric System’s territory, based on certain constraints established by the City. The constraints included electrical capacity factors of 30% and efficient dispatch into the SPP market, high availability and reliability ratings, options for multiple fuel sources, technology that ideally supports the use of hydrogen as a future fuel source, and equipment that is compatible and adaptable to work with renewable technologies in the future. The Siting Study recommended addition of a large, dual-fueled (natural gas and oil) aeroderivative combustion turbines of a site-specific solution for the Blue Valley Power Station/Substation A location. The Siting Study noted that this technology would allow for future use of hydrogen fuel and integration with battery energy storage systems or other renewable technologies co-located at the site. Reciprocating engines were identified as an acceptable alternate technology.

In June 2021, the City submitted a request to SPP to replace the retired Blue Valley generating unit. On October 7, 2021, FERC issued a waiver allowing the City to use the SPP replacement generation process to interconnect new generation to the SPP system. This waiver allows the City 36 months from the date of the FERC waiver to place in service generation at the Blue Valley site with capacity at or below 99 MW, without the need for a more time-consuming interconnection study.

In October 2021, the City issued a RFP for design-build services for 45-99 MW of new generation facilities to be located at the existing Blue Valley Power Station site, with an anticipated commercial operation date in June 2024. In December 2021, the City received responses from six companies, proposing 20 different projects. The best bid was submitted by PROENERGY Services, LLC, who proposed 2 LM6000 GE aeroderivative turbines

(combined 84 MW net capacity) with all supporting systems at an estimated cost of \$69,350,000. On March 1, 2022, the City executed a non-binding letter of intent with PROENERGY Services, LLC, to continue negotiations related to this proposal. The City is currently preparing and reviewing engineering and financial plans related to the proposal, and expects to make a recommendation to the City Council in second quarter 2022. If a contract is approved, the City expects to issue bonds to finance the costs of the new unit, and such bonds would be payable from utility system revenues.

Fuel Supply

The Department currently uses natural gas and Ultra-low sulfur No. 2 fuel oil in its power production facilities. For the year ending June 30, 2021, the total fuel burn mix for the Department's owned and operated generation energy supply consisted of 57% gas and 43% No. 2 fuel oil. The burn mix numbers for FY 2021 are not normal due to the production of generation on fuel oil during Winter Storm Uri. Typically, the fuel burn mix is range of approximately 90% gas and 10% No. 2 fuel oil. This fuel supply is managed by the Department.

The Department currently contracts the management of its natural gas supply with Synergy, a Texas gas management company. The current term of this management contract is through June 30, 2022, with the option to extend the contract for three additional years. Under the contract, Synergy manages the Department's gas supply and pipeline transportation service to the local gas distribution company's system. The local distribution company delivers the gas to the Department at two different power plant sites under the local distribution company's tariffs as filed with the Missouri Public Service Commission.

The Department purchases its No. 2 fuel supply on the spot market on an as-needed basis.

Transmission and Distribution Systems

The Department's transmission system is comprised of approximately 26 miles of 161-kV lines and approximately 67 miles of 69-kV lines. The transmission system is interconnected with the neighboring utilities at both the 161-kV level and the 69-kV level. Load flow studies indicate that these interconnections provide a total import capability of 314.9 MW on a single contingency basis.

The existing distribution system currently serves approximately 59,500 customers and consists of approximately 564 circuit miles of 13-kV overhead lines and 233 circuit miles of 13-kV underground lines.

Substation	Substation Class, Type	Station Capacity ⁽¹⁾	Nominal Voltage
A	transmission	200 MVA	161/69 kV
B	distribution	60 MVA	69/13.8 kV
C	distribution	60 MVA	69/13.8 kV
E	distribution	40 MVA	69/13.8 kV
F	distribution	25 MVA	69/13.8 kV
H	distribution	60 MVA	69/13.8 kV
I	distribution	60 MVA	69/13.8 kV
J	distribution	60 MVA	69/13.8 kV
K	distribution	60 MVA	69/13.8 kV
L	distribution	60 MVA	69/13.8 kV
M	transmission	100 MVA	161/69 kV
N	transmission	100 MVA	161/69 kV
P	distribution	60 MVA	69/13.8 kV
R	distribution	60 MVA	69/13.8 kV
Eckles Road ⁽²⁾	transmission	-	161 kV

(1) Forced air rating at 55 degrees C rise.

(2) The Eckles Road is a switching station on the 161 kV line from Substation A to KCPL-GMO's Sibley Station. The Eckles Road station ties into the 161 kV line owned by AECI running from Missouri City Station to Pittsville. There are no transformers located at this station site.

Capital Improvement Program

The Department annually develops a six-year capital improvement program. The current, approved capital improvement program for the Electric System for the next six years is described in the City's Capital Improvement Program 2021/22 – 2026/27. In January 2022, City staff presented its proposed Capital Improvement Program 2023-2028 for discussion and feedback from City Council. The proposed Capital Improvement Program 2023-2028 adds certain projects to the existing capital improvements program. Electric System projects outlined in the programs are described below:

<u>Project</u>	<u>Approved 2022-2027 CIP Estimated Cost</u>	<u>Proposed 2023-2028 CIP Estimated Cost</u>
69 KV Transmission Line Rebuild (Phase III of Substation E to F rebuild)	\$800,000	\$1,200,000
Substation Fiber Optic Network Equipment Replacement	1,125,000	375,000
Traffic Controller Upgrades	70,000	10,000
Traffic Camera System Upgrades	40,000	20,000
Motorola APX Radio Purchase – 2 nd Phase	70,000	-
Operations APC UPS Battery Replacement	160,000	160,000
Spatial Modeling of all IPL Substations for Asset Management	450,000	450,000
Transmission Pole Inspection and Replacement Program	1,350,000	2,000,000
Substation A Transformer T-9 Maintenance	180,000	-
Substation N Transformer T-1 Maintenance	180,000	180,000
T&D Truck Shed	1,000,000	1,000,000
Relay Test Set	80,000	-
Switchgear Cabinets	250,000	750,000
T&D Road Improvement Projects	1,000,000	1,000,000
Undergrounding of Distribution Systems	2,500,000	-
Traffic Signal Detection Systems	100,000	50,000
Upgrade IPL Service Center PBX for IPL Flex System	100,000	30,000
H-5 Hot Gas Path Inspection	1,518,000	1,800,000
Transmission & Distribution Emergency Maintenance	1,500,000	1,250,000
Fiber Optic Network	730,956	625,000
69 KV Substation Facilities Replacements and Upgrades	3,300,000	-
Primary Operation Center Functional & Code Upgrade	250,000	250,000
Substation E Transformer & Switchgear Replacement	950,000	-
Service Center Emergency Maintenance	300,000	150,000
H-6 Combustion Turbine Inspection	-	2,000,000
Blue Valley Chimney Demolition	-	1,350,000
Controls Software Upgrade	-	500,000
PLSC Operations Area HVAC Upgrade	-	100,000
Substation A Blockhouse Roof Replacement	-	75,000
Emergent Maintenance Production	-	2,500,000
Substation & Transmission Upgrade & Replacement	-	2,400,000
Construction of New Substation S	-	8,650,000
Construct New Transmission System to Service New Substation S	-	5,350,000
Construct 6 New Distribution Feeders – New Substation S	-	1,350,000
Total	\$18,003,956	\$35,575,000

The costs of planned capital improvements for the Electric System for the next six fiscal years is as follows, as set forth in the City's Capital Improvement Program 2021/22 – 2026/27 approved by City Council in 2021, and the proposed Capital Improvement Program 2023-2028 under the current draft of such program is as follows:

Cost of Planned Capital Improvements

<u>Fiscal Year Ending</u> <u>June 30</u>	<u>Approved</u> <u>2022-2027 CIP</u>	<u>Proposed</u> <u>2023-2028 CIP</u>
2022	\$6,003,956	-
2023	4,560,000	\$5,305,000
2024	3,040,000	10,920,000
2025	2,000,000	7,100,000
2026	950,000	6,400,000
2027	950,000	3,050,000
2028	-	2,800,000

City staff will make changes to the proposed Capital Improvement Program 2023-2028 based on feedback from City Council in an ongoing process. The City Council is expected to vote on the then-current Capital Improvement Program 2023-2028 in June 2022. The Capital Improvement Program is expected to be funded from current revenues.

The current Capital Improvement Program does not include any estimates for the costs of additional generating facilities. For a discussion of additional generating facilities currently under consideration by the Council, see “**ELECTRIC SYSTEM OPERATIONS** – Future Power Requirements” herein.

Largest Customers

The following table shows the twelve largest commercial and industrial customer accounts served by the Department. The table shows the annual kilowatt hour energy usage and total billed revenues for the fiscal year. As can be seen from the listing, sales to the Department’s twelve largest customers account for a relatively small portion of the Department’s total sales and revenues. For the Fiscal Year ended June 30, 2021, the largest single customer accounts for approximately 2.3% of retail sales of the system and 1.8% of retail billed revenues.

Twelve Largest Commercial and Industrial Customer Accounts

July 2020 - June 2021	kWh	Revenue
1 Unilever	25,314,000	\$2,103,447
2 Burd and Fletcher (Combined)	22,775,300	1,560,089
3 CenterPoint Medical Center	17,088,000	1,782,750
4 Smart Warehouse	10,918,100	911,621
5 Independence Mall Holding	8,420,600	708,472
6 HCP MOB CenterPoint (Combined)	6,506,700	635,688
7 Costco Wholesale Inc.	3,951,300	437,938
8 Global Spectrum	3,582,800	286,540
9 Price Chopper (23rd Street)	3,567,300	366,376
10 City’s Rock Creek Sanitary Sewer Plant	3,513,600	348,422
11 Price Chopper (Noland Road)	3,233,040	335,238
12 HyVee (Noland Road)	3,142,320	358,845
Total	112,013,060	\$9,835,426
Percent of Total Retail Billed Sales	10.1%	8.3%

FINANCIAL INFORMATION RELATED TO THE ELECTRIC SYSTEM

Accounting and Budgeting Practices and Financial Statements

The City currently produces financial statements that are in conformity with generally accepted accounting principles. The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. The City has implemented the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*.

An annual budget is prepared under the direction of the City Manager and submitted to the City Council for consideration prior to the fiscal year commencing on July 1. The operating budget includes proposed expenditures and revenue sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through the adoption of an ordinance. The primary basis of budgetary control is at the departmental level. The City Manager is authorized to transfer budgeted amounts between programs within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending June 30, 2021 was performed by Rubin Brown, in Kansas City, Missouri, and is contained in the City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2021, attached as **Appendix B** to this Official Statement. Copies of the City's audited financial statements for the past five fiscal years are on file in the City Clerk's Office and are available for review.

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The following tables provide financial information for the past five fiscal years.

Statement of Revenues, Expenses, and Changes in Fund Net Position

	Fiscal Years Ending June 30,				
	2017	2018	2019	2020	2021
Operating Revenues:					
Charges for services	\$136,097,375	\$145,694,257	\$139,548,280	\$122,319,633	\$122,649,509
Miscellaneous	1,848,527	2,353,471	5,616,098	6,256,107	5,899,465
Total operating revenues	137,945,902	148,047,728	145,164,378	128,575,740	128,548,974
Operating Expenses:					
Personnel services	29,005,067	25,936,448	23,796,693	25,265,893	12,252,265
Other services	19,195,680	21,130,160	22,886,862	19,994,958	21,472,524
Supplies, materials, and power	53,761,967	54,110,781	49,818,707	50,234,143	58,436,008
Other expenses	7,125,419	8,881,239	7,403,172	8,100,577	7,629,838
Depreciation and amortization	13,283,451	13,899,946	13,297,863	13,276,440	10,705,174
Loss on capital asset impairment disposal	0	0	0	0	5,533,686
Total operating expenses	122,371,584	123,958,574	117,203,297	116,872,011	116,029,495
Operating income (loss)	15,574,318	24,089,154	27,961,081	11,703,729	12,519,479
Nonoperating Revenues (Expenses):					
Investment income (loss)	(59,596)	376,147	3,346,993	2,684,461	(363,706)
Miscellaneous revenue	947,029	1,485,531	1,101,588	1,507,032	1,470,273
Interest and amortization expense	(7,019,397)	(6,891,891)	(6,711,576)	(6,563,276)	(5,706,237)
Total nonoperating revenue (expenses)	(6,131,964)	(5,030,213)	(2,262,995)	(2,371,783)	(4,599,670)
Income (loss) before contributions, transfers, and special items	9,442,354	19,058,941	25,698,086	9,331,946	7,919,809
Capital contributions	69,051	193,642	182,117	37,799	49,809
Transfers out - payments in lieu of taxes	(13,312,979)	(14,052,880)	(14,130,811)	(12,757,506)	(12,602,965)
Transfers out - other	(99,261)	0	0	0	0
Transfers in	0	0	0	0	0
Special item - OPEB changes in benefit terms	0	0	22,266,428	0	0
Special item - Electric System rebate	0	0	0	0	(11,196,400)
Change in net position	(3,900,835)	5,199,703	34,015,820	(3,387,761)	(15,829,747)
Total net position (deficit):					
Beginning of the year	136,512,435	91,833,302	97,033,005	131,048,825	127,661,064
End of the year	\$132,611,600	\$97,033,005	\$131,048,825	\$127,661,064	\$111,831,317

Condensed Balance Sheet

	Fiscal Years Ending June 30,				
	2017	2018	2019	2020	2021
Net Utility Plant	\$230,948,288	\$236,906,744	\$235,713,964	\$225,329,976	\$239,568,632
Current Assets	94,955,310	101,903,287	114,106,245	113,894,503	79,255,207
Deferred Charges and Other Assets	42,094,437	29,246,613	26,455,706	35,936,031	19,579,719
Total Assets	\$367,998,035	\$368,056,198	\$376,275,915	\$375,160,510	\$338,403,558
Current Liabilities	\$18,159,470	\$17,655,072	\$18,146,926	\$17,440,411	\$13,495,868
Long-Term Liabilities and Deferred Credit	217,226,965	253,368,121	227,080,164	230,059,035	191,702,667
Total Equity	132,611,600	97,033,005	131,048,825	127,661,064	133,205,023
Total Liabilities and Equity	\$367,998,035	\$368,056,198	\$376,275,915	\$375,160,510	\$338,403,558

Also see *Exhibit 5* (Statement of Net Position – Proprietary Funds (Power and Light column)) and *Exhibit 6* (Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds (Power and Light

column)) on pages 28 and 29, respectively of the City's audited financial statements for the Fiscal Year ended June 30, 2021 which are included in **Appendix B** hereto.

The Power and Light Fund – Operating Results for FY 2020 and FY 2021

In FY 2020, the Department saw increased wholesale sales, both in terms of MWH and revenue, due to increased sales in SPP. In FY 2021 and FY 2021, respectively, wholesale sales represented approximately 4.4% and 4.1% of total Revenues and 20.6% and 12.8% of MWH of total energy supplied. The increased wholesale sales offset declines in retail electric revenues and energy supplied. See **“ELECTRIC SYSTEM OPERATIONS – Summary of Operations”** herein. Prior to FY 2019, wholesale sales represented 2% or less of total Revenues and approximately 7% of MWH of total energy supplied.

Revenues decreased in FY 2020 due in part to a 2% decrease in electric system rates effective January 1, 2019 and a 4% decrease in electric system rates effective August 1, 2019. The combined impact of the reduced rates resulted in an approximately \$9 million decrease in operating revenues during FY 2020. See **“ELECTRIC SYSTEM RATES – Recent Rate Changes”** herein. Less extreme weather in FY 2020 and 2021 also resulted in a decline in retail revenues compared to FY 2019.

In Spring 2020, executive and public health orders were issued closing or limiting the operations of certain commercial customers within the City due to the COVID-19 pandemic. This resulted in a significant reduction in commercial electric use and a commensurate decline in electric system revenues from retail sales, which continued through FY 2021. The COVID-19 response had a negative effect on the City's ability to collect electricity billings and limited the ability of the City to use utility shutoffs to enforce payment. Service shutoffs were suspended from March 13, 2020 through July 15, 2020, from August 20, 2020 through November 1, 2020, and from December 7, 2020 through May 1, 2021. Revenue collection lagged as a result, but past due balances ended lower in FY 2021 than in FY 2020, showing improvement in collections. As part of the application of funds received by the City under the federal Coronavirus Aid, Relief, and Economic Security Act or “CARES Act,” the City designated \$2.2 million for utility assistance relief in FY 2021. The funds were channeled through the Community Services League, via grants, and used to pay past due utility bills due to the City's utilities, a portion of which went to electricity payments. In addition, from April 2020 to June 30, 2021, the City Council directed the City to absorb credit card fees previously charged to customers. See also **“BONDOWNERS’ RISKS – Effects of COVID-19.”**

Beginning in 2020, the Department experienced and continues to experience increased costs in materials and supplies due to the pandemic and related supply shortages and inflation pressures. The City has increased the Department budget to accommodate the increased operating costs.

In June 2020, the Blue Valley Power Plant was decommissioned. The “loss on capital impairment disposal” expense represents the City's write off of the Blue Valley Power Plant book balance of approximately \$5.5 million, after decommissioning of the plant.

In late 2020, the City engaged the Department's municipal advisor, PFM Financial Advisors LLC, to conduct a Resiliency and Cash Balance Study, and assist with development of a Resiliency and Cash Balance Policy with respect to the Electric Utility System. The results of the study were presented to the PUAB in November 2020 and to the City Council in January 2021. The study evaluated the Department's revenue risks, expense risks, working capital and capital expenditure requirements and developed a target for cash balances to mitigate the risks. Based on Fiscal Year 2020 cash balances, the study estimated that unrestricted cash levels within the Power and Light Fund exceeded recommended targets by \$9.1 to \$22.5 million. The study proposed several options for using such funds: defeasance of existing debt, contributing the funds to additional capital improvement needs to eliminate potential future rate increases to fund the Department's capital improvement plan, or targeted one-time rate adjustments. The City Council approved the Electric System Cash Reserve Policy on January 4, 2021. See also **“FINANCIAL INFORMATION RELATED TO THE ELECTRIC SYSTEM – Cash Reserve Policy.”**

On December 5, 2020, the City was hit with a ransomware attack. The City took its entire network offline temporarily to assess the extent of the damage, during which time the City's online utility bill payment system and other publicly accessible features were unavailable. Because of the downtime, the City temporarily waived late fees

and penalties for power and water customers and temporarily suspended residential utility shutoffs for failure to pay. Due to the attack, very few electricity billings were completed in December of 2020. Customers were billed for two months of service in January 2021. Service shutoffs from December 7, 2020 through May 1, 2021 were originally suspended due to the attack and this was extended as part of the COVID-19 response. See also **“BONDOWNERS’ RISKS – Cybersecurity Risks.”**

In February 2021, Winter Storm Uri hit the Midwest, resulting in increased purchase power expenses of approximately \$12 million. Natural gas purchases were approximately \$4.5 million more than anticipated and fuel oil purchases were approximately \$2 million higher than anticipated. The additional cost associated with Winter Storm Uri is anticipated to be recovered over three years in the Fuel Cost Adjustment component of retail rates.

On February 1, 2021, the City Council passed a resolution directing the City Manager to issue a one-time bill credit to all electric customers. The total cost of this credit was \$11.2 million, which resulted in the decrease of the Department’s cash reserves.

On March 11, 2021, at the City Council’s direction, the City used cash reserves in the Power and Light Fund to defease \$10,615,000 of outstanding Series 2010B Bonds.

Current Assets declined in Fiscal Year 2021 due primarily to an approximately \$33 million reduction in unrestricted cash. This cash was used to pay the increased purchase power and fuel costs related to Winter Storm Uri, issue the one-time bill credit to customers, and defease the outstanding Series 2010B Bonds. Long-term Liabilities and Deferred Credit declined due to defeasance of the outstanding Series 2010B Bonds and the LAGERS actuarial valuation change described below.

Personnel Services expenses for Fiscal Year 2021 declined substantially compared to 2020 for two reasons. First, during Fiscal Year 2021 the City’s net pension liability shifted to a net pension asset per the LAGERS GASB 68 actuarial valuation. This was due to significant net investment income and changes in mortality tables. This shift from a liability to an asset caused the City to recognize a reduction to pension expense for the Electric and Light Fund of \$7,873,764. Without this reduction to pension expense, the Personnel Services expense would have been \$20,126,029. This amount is still lower than prior years due to closure of the Blue Valley Power Plant and commensurate reduction in employees, and a loss of several Journeyman Lineman to local contracting companies.

The Power and Light Fund – Adopted Budget for FY 2022

The following information describing the actual and anticipated results of operations from the City’s Power and Light Fund is contained in the City’s 2021-2022 Operating Budget approved by the City Council on June 21, 2021, provided by City Staff on a budgetary basis, or calculated based on such sources, as noted in the footnotes following the table. The 2021-2022 Operating Budget was amended at the start of the 2021-2022 Fiscal Year to account for capital projects that were not completed in the prior Fiscal Year, and certain other amendments were approved in December 2021. The Amended 2021-2022 Operating Budget anticipates an excess of expenditures over revenues for the Power and Light Fund for Fiscal Year 2021-2022 of \$14,316,165, resulting in a reduction in ending available resources for the Electric Fund in an equal amount. The budget message explains that deficit budgeting for Fiscal Year 2021-2022 is part of a continued response to the effects of COVID-19.

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Power and Light Fund: Comparison of Revenues, Expenditures and Change in Available Resources

	<i>2020-21 Adopted Budget ⁽¹⁾</i>	<i>2020-21 Actual ⁽²⁾</i>	<i>2021-22 Adopted Budget ⁽¹⁾</i>
Revenues			
Charges for Services	\$130,313,972	\$122,647,708	\$130,609,070
Penalties	1,106,786	567,061	1,106,786
Connection/Disconnection Charges	280,151	30,600	280,151
Meter Reading	-	-	-
Rental Income	340,239	276,215	340,239
Miscellaneous	5,000,000	5,026,090	5,000,000
Interfund Service Charges	1,828,147	2,079,540	1,828,147
Investment Income	200,000	602,874	120,902
Intergovernmental	-	-	-
Other	886,189	1,057,480	715,639
Total Revenues	\$139,955,484	\$132,287,568	\$140,000,934
Expenditures			
Salary & Benefits	\$26,252,583	\$27,187,832	\$28,194,152
Retiree Health Insurance	1,022,952	1,278,379	1,499,000
Operating Expenses	84,591,683	85,893,009	88,126,945
Equipment	1,313,400	916,659	1,619,600
Operating Expenditures	113,180,618	115,275,879	119,439,697
Capital Improvements	5,285,000	8,793,923	11,609,690
Debt Service	10,547,050	10,391,203	9,992,712
Contingencies	275,000	-	275,000
Transfers Out ⁽³⁾	13,000,000	12,602,965	13,000,000
Special Item – Electric Rebate	-	11,196,400	-
Bond Redemption – 2010B	-	10,615,000	-
Total Expenditures	\$142,287,668	\$168,875,370	\$154,317,099
Excess Revenues Over (Under) Expenditures	\$(2,332,184)	\$(36,587,802)	\$(14,316,165)
Beginning Available Resources ⁽⁴⁾		\$82,856,511	\$49,849,263
Cancellation of Prior Year Encumbrances			
Ending Available Resources ⁽⁴⁾		\$46,268,709	\$35,533,098

⁽¹⁾ Source: The City's 2021-2022 Amended Operating Budget; presented on a budgetary basis which does not account for non-cash expenses such as depreciation.

⁽²⁾ Source: Unaudited numbers provided by City Staff on a budgetary basis.

⁽³⁾ Transfers out consist of payments in lieu of taxes or PILOTS. PILOTS include (a) a charge at the rate of 9.08% on gross revenues of all City utilities, including the Electric System, (b) an amount equal to the real property tax that would have been paid in each year by City utilities, including the Electric System, if such utilities were privately owned, and (c) an amount equal to 2.25% in lieu of sales tax on local purchases made for the Electric System that would have been paid by a private purchaser.

⁽⁴⁾ Source: Calculations based on the City's 2021-2022 Operating Budget and unaudited numbers provided by City Staff.

Year to Date Operating Results for FY 2022

Unaudited financial statements of the Electric System for the fiscal years ending 2020, 2021 and 2022 through January 31, are included in this Official Statement as **Appendix C**. These statements are provided by City Staff on a budgetary basis, or calculated based on such sources, as noted in the footnotes following the table.

Revenues and expenses for Fiscal Year 2022 are currently in line with budget expectations.

The Department is currently preparing the proposed 2022-2023 Operating Budget to present to the City Manager. The Department expects to present a balanced budget with no material changes from Fiscal Year 2022.

Related-Party Transactions; Payments in Lieu of Taxes

The Power & Light Fund makes a payment annually from Available Electric Revenues to the City's General Fund as a payment in lieu of taxes or "PILOT." Pursuant to the City Charter, the payment is limited to an amount that would normally be paid by a privately-owned electric utility. The current PILOT practice is the result of a Declaratory Judgment issued by the Jackson County Circuit Court on March 10, 1980. PILOTS include (a) a charge at the rate of 9.08% on gross revenues of all City utilities, including the Electric System, (b) an amount equal to the real property tax that would have been paid in each year by City utilities, including the Electric System, if such utilities were privately owned, and (c) an amount equal to 2.25% in lieu of sales tax on local purchases made for the Electric System that would have been paid by a private purchaser. For years ending June 30, 2020 and June 30, 2021, the Department's total payment in lieu of taxes to the City amounted to \$12,757,506 and \$12,602,965, respectively. See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS – The Financing Agreement" herein.

Payment for City electric service is made by the City to the Department under the appropriate retail rate classification.

Cash Reserve Policy

In January 2021, the City Council of the City adopted a cash reserve policy (the "Electric System Cash Reserve Policy") with the stated purpose of helping to ensure financial stability, timely completion of capital improvements and preparation for large unexpected expenditures.

The level of cash reserves established by the Electric System Cash Reserve Policy on an ongoing basis is calculated using a number of risk factors and reserve standards, as follows:

<u>Type of Risk or Reserve</u>	<u>Recommended Cash Reserves</u>
Revenue Risk – General Sales Decrease	6.0% of fixed costs over a 12 month period
Revenue Risk – Loss of Top 12 Customer	2.0% of fixed costs over a 12 month period
Revenue Risk – Off System Sales	10% of adjusted margin for power marketing revenues
Revenue Risk – Loss of Interest Income	1.0% of interest income from short-term investments over a 12-month period
Expense Risk – Unplanned Outage – Market Exposure	Assumed outage of 90 days at a capacity factor of 90% and energy shortfall that Department can hedge by 50%. Market price of power is assumed to be weekday peak.
Expense Risk – Planned Outage – Market Exposure	Assumed outage of 30 days at a capacity factor of 90% and energy shortfall that Department can hedge by 50%. Market price of power is assumed to be weekday peak.
Expense Risk – Fuel (Natural Gas) Exposure	1.5 million MMBTu of natural gas and market price is higher than budget by \$1.74 per MMBTu

Expense Risk – Power Purchases and Capacity Expense	1.7 MWhs annually, 50% of this need is hedged with long term agreements and the price for the remaining needs at the “Weekday Off Peak” rate
Expense Risk – Renewable Energy Expense	Assumed wind energy capacity factor of 40% at \$20 per MWh cost differential for 12-months
Working Capital Reserve	90 days working capital
Capital Reserve	Up to the amount of average annual depreciation for past 6 years

The targeted cash reserve calculation considers the risk “in total” and not each individual category. The cash reserve policy establishes a target as well as a bandwidth amount of cash the Electric System should keep in reserve to address the operational and financial risks of the utility. Funds available for the cash reserve target do not include funds that are legally required for debt service or funds available but designated for other purposes (such as collateral posting requirements, customer deposits and advance payments, and reserves established through power purchase contracts).

The cash reserve calculation is updated annually as part of the budget process. Prior fiscal year audited cash balances, available in December, are used to set cash balance amounts in January. These cash balances are then used in developing the following fiscal year’s budget. The Electric System Cash Reserve Policy provides that if events occur that result in cash reserves falling below the targeted cash reserve levels, the Department Manager should make recommendations to the City Council to restore cash reserves to the targeted levels over the subsequent three years. Actual cash reserves may vary substantially and are dependent on the life cycle of assets, future capital planning, rate setting policies and debt policies.

The cash reserves established for Fiscal Year 2022 were established at \$52.5 million, allocated as follows: \$5.3 million Revenue Risk, \$18.7 million Expense Risk, \$25.5 million Working Capital Reserve and \$3 million Capital Reserve. Based on the Amended 2021-2022 Operating Budget, these reserves are under-funded by approximately \$4 million. See “**FINANCIAL INFORMATION RELATED TO THE ELECTRIC SYSTEM - The Power and Light Fund – Adopted Budget for FY 2022**” and **Appendix C** attached hereto.

Liquidity

Over the past five years, liquidity levels have ranged from 170 to 282 days of expenditures. The following table sets forth the liquidity of the Electric System:

	2017	2018	2019	2020	2021
Audit Net Operating Expenses ¹	\$117,229,171	\$121,111,534	\$116,799,127	\$113,059,706	\$117,818,467
Daily Cash Requirement	321,176	331,812	319,998	309,753	322,790
Ending Cash Balance	100,524,658	87,628,393	101,685,047	102,946,939	68,069,730
<u>Less Restricted Funds</u>					
Debt Service Reserve Funds ²	15,742,633	15,742,633	15,742,633	15,742,633	13,218,321
Net Cash Available for Working Capital	84,782,025	71,885,760	85,942,414	87,204,306	54,851,409
Days Cash Excluding all Restricted Funds	264	217	269	282	170

¹ Total operating expenses less depreciation. Includes PILOTs and certain other payments to the City. See “Related-Party Transactions; Payments in Lieu of Taxes” herein.

² Required by Indentures related outstanding electric system obligations.

ELECTRIC RATES

Rate Setting Process

The City Council has sole authority to establish electric rates. The City Code currently provides that the electric rates (together with any rules or regulations regarding billing, deposits, collections, application for service, metering, meter reading and utility right of access) are to be adopted by ordinance, upon the recommendation of the Electric Utility Director. No federal, state or other local governmental bodies have jurisdiction over the fixing of such rates and charges.

Current Rates

Electric System rates includes fixed and variable billing components which are designed based on an accrual basis cost-of-service model.

The Department currently has 17 customer rate schedules, which are available on the City's website at <http://www.ci.independence.mo.us/pl/Rates>. These rates will be in effect until newly approved rates take effect on or before October 2023. See **"ELECTRIC RATES - Approved Rate Changes"** below.

Each rate schedule has availability and applicability clauses which define the customer types who are eligible to be billed under the rate schedule. Customers are billed monthly and a minimum billing is established for most rate schedules. The overall rate structure is designed to assist the Department in load management and marketing objectives of system load factor improvement.

Current rate schedules allow the Department to automatically adjust monthly energy rates in accordance with a Power Supply Fuel-Energy Cost Adjustment Schedule ("FCA"). The purpose of the FCA is to compensate the Department for the changes in the cost of fuel and purchased power including applicable taxes (adjusted for sale of energy to other utilities and entities).

The residential rate classifications (Rate Schedule Designation RS-3 and RS-4) include the majority (over 90%) of customers being served by the Department. Seasonal rates have been established in the residential customer classifications to partially recognize the cost differential of summer season air conditioning loads which predominate in the residential class and to encourage the winter season use of electricity (electric space heating).

In the commercial and industrial customer classifications, the rate designs generally include separate demand and energy charges, and pricing differentials for service voltage delivery such as secondary and primary voltage delivery. These rates charge individual customers different average rates per kilowatt of hour use for customers with different load factors and therefore encourage the customer to utilize electric service at a constant level of use.

Approved Rate Changes

The last rate increase imposed by the City Council occurred in July 2012. In 2014, the Department contracted with Sawvel & Associates to conduct a cost of service study. The study determined that rates were still adequate but recommended changes to simplify the rates. The results of the rate study were not implemented and no rates changes were made.

In 2018, the Department contract with Burns & McDonnell to conduct a cost of service and rate design study. While the study was being conducted the City Council passed a resolution directing the City Manager to implement a 2% rate reduction for all electric utility customer classes and to formulate additional recommendations related to the electric utility effective January 2019. The 2% rate reduction took effect in January 2019, and resulted in an approximately \$3 million annual decrease in revenues.

In May 2019, the City Council passed a resolution implementing a 4% rate reduction for all electric utility customer. The 4% rate reduction took effect August 1, 2019 and resulted in an approximately \$6 million annual decrease in revenues. To offset the revenue reduction, the Department reduced capital and operating expenditures.

The most recent changes to electric rate schedules were approved by the City Council in October 2020. These rates are anticipated to be implemented by October 2023. The approved rate schedules will simplify and consolidate both residential and commercial rate schedules, and will help streamline the administrative billing process. The new rate schedules are not anticipated to have an impact on total revenues.

The new rate schedules include the following components:

Energy Charge – The Energy Charge consists of a rate per kWh of energy used.

Customer Charge – The Customer Charge consists of a fixed charge per month.

Demand Charge – The Demand Charge applies only to commercial rate schedules and consists of a fixed charge per month based on the customer's maximum demand (measured in kW).

Power Supply Cost Adjustment – The Power Supply Cost Adjustment (PCA) is designed to compensate or refund changes to the Department's purchase power energy and fuel related costs. The Department's Retail Rate Schedules include \$0.051765/kWh of costs associated with purchase power and fuel costs in published rate schedules. Any costs above or below this amount will be passed allow to retail customers through the PCA. The Department annually reviews the purchase power energy and fuel related costs during the budget process and is required to make projections for the fiscal year, as well as true up any under or over collected costs from the previously period. Following the PCA review, the General Manager shall direct the PCA to be applied, as deemed necessary to accomplish recover of the Department's projected purchased power energy and fuel related costs in a timely manner. The General Manager also has the ability to make adjustments, as needed, to account for potential changes that warrant adjustment of cost recover at any point during the year. No City Council approval is required for changes to the PCA.

Regulatory and Environmental Rider – The Regulatory and Environmental Rider (RER) is designed to compensate the Department for costs to comply with regulatory and environmental regulations that are not otherwise recovered through the Department's Retail Rate Schedules. Regulatory and environmental costs that may be recovered through the RER include all of the Department's actual expenditures for operating, capital improvements, investments and related debt service (other than costs related to the Department's employees) associated with compliance with environmental and regulatory mandates. The RER is determined prior to the beginning of the Department's fiscal year and is applied to customer bills beginning October 1 as a monthly charge per customer for the fiscal year. No City Council approval is required for changes to the RER.

On February 1, 2021, the City Council passed an ordinance directing the City Manager to issue a one-time bill credit to all electric customers. The total cost of this credit was \$11.2 million, which resulted in the decrease in the Department's cash reserves.

Billing

The Department renders monthly bills to its customers based on commodity usage and other billing determinants for the previous monthly period. Bills are mailed three days after meter readings and are due and payable within 28 days of mailing. Bills are considered delinquent after 30 days. A second bill is then issued with the customer having 10 to 15 days to pay both bills. After the 10 to 15 days have passed with no payment of both bills, the customer's service is subject to discontinuance. The Department's policy is to attempt to notify the customer by telephone or personal contact before service is discontinued.

Energy Efficiency Programs

The Department offers a rebate program to encourage the purchase of energy efficient air conditioners, water heaters and heat pumps by residential customers. Most years, the Department's budget for such rebate programs has

been approximately \$200,000 annually. For 2022 and 2023, approximately \$217,000 has been budgeted for these programs.

BONDOWNERS' RISKS

The following is a discussion of certain risks that could affect payments to be made by the Board with respect to the Series 2022 Bonds and the City with respect to the Financing Agreement. The discussion is not, and is not intended to be, exhaustive and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2022 Bonds should analyze carefully all the information contained in this Official Statement, including the Appendices, and additional information in the form of the complete documents summarized herein and in Appendix D, copies of which are available as described herein.

General

The principal of, premium, if any, and interest on the Series 2022 Bonds are payable by the Board solely and only from, and secured by: (i) an assignment and a pledge of Loan Payments made by the City pursuant to the Financing Agreement between the Board the City, and (ii) certain other funds held by the Trustee under the Indenture. Payments under the Financing Agreement are designed to be sufficient, together with other funds available for such purpose, to pay when due the principal of, premium, if any, and interest on the Series 2022 Bonds.

The Series 2022 Bonds are not an indebtedness of City, the State of Missouri or any other political subdivision thereof within the meaning of any provision of the constitution or laws of the State of Missouri. Neither the full faith and credit nor the taxing powers of the City, the State or any other political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2022 Bonds. The issuance of the Series 2022 Bonds shall not, directly, indirectly or contingently, obligate the City, the State or any other political subdivision thereof to levy any form of taxation therefore or to make any appropriation for their payment, except as otherwise described herein. The Board has no taxing power.

Payment of the principal of and interest on the Series 2022 Bonds is not secured by any deed of trust, mortgage or other lien on any portion of the Electric System, or any other facilities or property of the City. Except as provided herein, the Series 2022 Bonds are payable solely from annual appropriation of Available Electric Revenues by the City and other money held by the Trustee.

The City expects to make Loan Payments and Additional Payments, subject to annual appropriation, from the Available Electric Revenues. Although the City has covenanted to maintain a debt service coverage ratio with respect to the revenues of the Electric System as described under **“SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS,”** there can be no assurance that the City will be able to generate sufficient Available Electric Revenues to pay the Loan Payments and Additional Payments under the Financing Agreement.

The likelihood that the City will be able to generate sufficient net revenues from the Electric System to pay the Loan Payments and Additional Payments throughout the term of the Series 2022 Bonds is dependent in part upon certain factors which are beyond the control of the City, including (a) the demographic conditions within the City, (b) the ability of the City to generate sufficient revenues of the Electric System and control the expenses of the Electric System in connection with the provision of services, and (c) new legislation, regulations or judicial interpretations affecting utilities such as the Electric System.

IF THE CITY FAILS TO APPROPRIATE AMOUNTS SUFFICIENT TO PAY THE LOAN PAYMENTS IN ANY FISCAL YEAR, OTHER THAN MONEYS WHICH MAY THEN BE ON DEPOSIT IN THE DEBT SERVICE RESERVE FUND, NO OTHER FUNDS WILL BE AVAILABLE TO PAY SUCH PRINCIPAL AND INTEREST.

Additional Bonds

The City may issue Additional Bonds or other obligations payable from Available Electric Revenues as such needs arise, as described herein. See **“SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS – Additional Bonds.”**

No Mortgage of Property

Payment of the principal of and interest on the Series 2022 Bonds is not secured by any deed of trust, mortgage or other lien on any portion of the Electric System, or any other facilities or property of the City. Except as provided herein, the Series 2022 Bonds are payable solely from annual appropriation of Available Electric Revenues by the City and other money held by the Trustee.

Loss of Premium Upon Early Redemption

Purchasers of maturities of the Series 2022 Bonds sold at a price in excess of their principal amount should consider the fact that the Series 2022 Bonds are subject to redemption at a redemption price equal to their principal amount plus accrued interest under certain circumstances. See **“THE SERIES 2022 BONDS – Redemption.”**

Enforcement of Remedies

The enforcement of the remedies related to the Series 2022 Bonds, the Indenture and the Financing Agreement may be limited or restricted by federal or state laws or by the application of judicial discretion, and may be delayed in the event of litigation to enforce the remedies. State laws concerning the use of assets of political subdivisions and federal and state laws relating to bankruptcy, fraudulent conveyances, and rights of creditors may affect the enforcement of remedies. Similarly, the application of general principles of equity and the exercise of judicial discretion may preclude or delay the enforcement of certain remedies. The legal opinions to be delivered with the delivery of the Series 2022 Bonds will be qualified as they relate to the enforceability of the various legal instruments by reference to the limitations on enforceability of those instruments under (1) applicable bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights, (2) general principles of equity, and (3) the exercise of judicial discretion in appropriate cases.

Debt Service Reserve Fund

****[At the time of issuance of the Series 2022 Bonds, an account in the Debt Service Reserve Fund will be established for the Series 2022 Bonds, and a deposit will be made to such account in the amounts described under the heading “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 BONDS – Debt Service Reserve Fund” as the initial Debt Service Reserve Fund Requirement, which deposit may be satisfied by a Debt Service Reserve Policy. However, the Debt Service Reserve Fund Requirement is subject to reduction on any date upon which a portion of such series of the Series 2022 Bonds is deemed to be paid and discharged and no longer Outstanding under the Indenture, to an amount equal to the least of (a) 10% of the original principal amount of the Series 2022 Bonds (or, if such bonds were sold with more than a de minimis amount of original issue discount or premium, the issue price of such series, excluding pre-issuance accrued interest, as those terms are defined in the Code, shall be used in the calculation), (b) the maximum annual principal and interest requirements for the Series 2022 Bonds during any Fiscal Year subsequent to such date, and (c) 125% of the average annual principal and interest requirements for the Series 2022 Bonds during each Fiscal Year subsequent to such date in which such Series 2022 Bonds remain Outstanding, as computed and determined by the City and specified in writing to the Trustee in accordance with the Indenture, provided that no such calculation shall result in an increase to the Debt Service Reserve Fund Requirement over the amount required immediately prior to such calculation, and further provided that no such calculation shall affect the insured amount under any Debt Service Reserve Policy.]****

There can be no assurance that the amounts on deposit in the Debt Service Reserve Fund will be available if needed for payment of the Series 2022 Bonds in the full amount of the Debt Service Reserve Fund Requirement because (1) of fluctuations in the market value of the securities deposited therein (see the definition of “Permitted Investments” in **Appendix D** hereto for a description of the types of securities that may be purchased with amounts on

deposit in the Debt Service Reserve Fund) and/or (2) if funds are transferred to the Debt Service Fund, sufficient revenues may not be available to replenish the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement.

The Debt Service Reserve Fund Requirement for the Series 2022 Bonds may be satisfied by a Debt Service Reserve Policy guaranteeing payments into the Debt Service Reserve Fund in accordance with the requirements of the Indenture. A “Debt Service Reserve Policy” means a surety bond or similar instrument issued by a bank, insurance company or other financial institution with a credit rating in one of the two highest rating categories of any nationally recognized rating service (without regard to any refinements of gradation of any rating category by numerical modifier or otherwise), for the purpose of satisfying the Debt Service Reserve Fund Requirement.]**

Amendment of the Documents

Certain amendments to the Indenture and the Financing Agreement may be made without the consent of or notice to the registered owners of the Series 2022 Bonds. Such amendments may adversely affect the security for the Series 2022 Bonds. In addition to the foregoing, in some jurisdictions outside the State of Missouri, there are a variety of trust instruction procedure (“TIP”) statutes, which generally allow judicially supervised remedies for trust estates of trustees that have a nexus, such as the Trustee’s office, with such jurisdiction. Under such TIP statutes, such jurisdictions may allow or order the Trustee to amend the documents relating to the Series 2022 Bonds in contravention of the manner provided for in these documents, including without limitation allowing the Trustee to disregard provisions requiring the consent of the holders of the Series 2022 Bonds prior to certain amendments of these documents.

Determination of Taxability

The Series 2022 Bonds are not subject to redemption, nor are the interest rates on the Series 2022 Bonds subject to adjustment, in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the interest paid or to be paid on any Series 2022 Bond is or was includible in the gross income of the owner of a Series 2022 Bond for federal income tax purposes. Such determination may, however, result in a breach of tax covenants, which may constitute an event of default under the Indenture. ***It may be that Bondowners would continue to hold their Series 2022 Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes.***

Likewise, the Indenture does not require the redemption of the Series 2022 Bonds or the adjustment of interest rates on the Series 2022 Bonds if the interest thereon loses its exemption from income taxes imposed by the State. ***It may be that Bondowners would continue to hold their Series 2022 Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for Missouri income tax purposes.***

Risk of Audit

The Internal Revenue Service (the “Service”) has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. No assurance can be given that the Service will not commence an audit of the Series 2022 Bonds. Owners of the Series 2022 Bonds are advised that, if an audit of the Series 2022 Bonds were commenced, in accordance with its current published procedures, the Service is likely to treat the Board as the taxpayer, and the owners of the Series 2022 Bonds may not have a right to participate in such audit. Public awareness of any audit could adversely affect the market value and liquidity of the Series 2022 Bonds during the pendency of the audit, regardless of the ultimate outcome of the audit.

Lack of Secondary Market for the Series 2022 Bonds

There is no assurance that a secondary market will develop for the purchase and sale of the Series 2022 Bonds. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and changes in operating performance of the entities operating the facilities subject to

the municipal securities. Municipal securities are generally viewed as long-term investments, subject to material unforeseen changes in the investor's circumstances, and may require commitment of the investor's funds for an indefinite period of time, perhaps until maturity.

Defeasance Risks

Series 2022 Bonds will be deemed to be paid and discharged and no longer Outstanding under the Indenture and will cease to be entitled to any lien, benefit or security of the Indenture if the Board shall pay or provide for the payment of such Series 2022 Bonds in any one or more of the following ways: (a) by paying or causing to be paid the principal of (including redemption premium, if any) and interest on such Series 2022 Bonds, as and when the same become due and payable; (b) by delivering such Series 2022 Bonds to the Trustee for cancellation; or (c) by depositing in trust with the Trustee or other Paying Agent moneys and Government Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Series 2022 Bonds at or before their respective maturity or redemption dates (including the payment of the principal of, premium, if any, and interest payable on such Series 2022 Bonds to the maturity or redemption date thereof); provided that, if any such Series 2022 Bonds are to be redeemed prior to the maturity thereof, notice of such redemption is given in accordance with the requirements of the Indenture or provision satisfactory to the Trustee is made for the giving of such notice. Government Obligations include the following: (a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America; and (b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Trustee. Historically, such United States obligations have been rated in the highest rating category by the rating agencies. There is no legal requirement in the Indenture that Government Obligations consisting of such United States obligations be or remain rated in the highest rating category by any rating agency. Prices of municipal securities in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and that could include any rating of the Series 2022 Bonds, if the Series 2022 Bonds are then rated, defeased with Government Obligations to the extent the Government Obligations have a change or downgrade in rating.

Risks Related to the Operation of the Electric System

Regulatory Matters. The Electric System operates in a highly regulated industry. The City's officers, employees and agents are required to conduct operations, keep records, file reports and otherwise comply with applicable, federal, state and local laws and federal, state and local governmental agencies. Non-compliance with any of such laws, rules and regulations, including without limitation environmental and public health requirements, can result in penalties, fines, income interruptions, cessation or curtailment of operations. In the event of such non-compliance, the City's ability to continue operations or to generate the amount of revenue projected could be materially adversely affected. See also "**CERTAIN REGULATORY FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY.**"

Management. Changes in key management personnel of the City or the Electric System may affect the operations of the Electric System.

Future Economic Conditions. Increased unemployment or other adverse economic conditions or changes in demographics in the service area of the Electric System; cost and availability of energy; an inability to control expenses in periods of inflation and difficulties in increasing charges may affect the revenues of the Electric System.

Operating Expense Risk. Actual operation, maintenance and repair expenses of the Electric System may be greater or less than currently projected. Factors such as damages to facilities and infrastructure, changes in technology, regulatory standards, and increased costs of material, energy, labor and administration can substantially affect expenses. Although the City has covenanted to request that the City set rates and charges in amounts sufficient

to pay operating and maintenance expenses and debt service on all Bonds, all in accordance with the provisions of the Financing Agreement, there can be no assurance that amounts will be so sufficient or that sufficient amounts will be collected. Furthermore, increases in rates and charges could result in a decrease in demand for usage and result in a decrease in revenues.

Employee Retirement Plan. The City (including employees of the Electric System) participates in the Missouri Local Government Employees Retirement System (LAGERS). The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Changes in the required contribution rates could adversely impact the financial performance of the Electric System.

Insurance Claims. Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance may adversely impact the Electric System expenses. For a discussion of the Electric System's general liability insurance and reserve, see **"DESCRIPTION OF THE ELECTRIC SYSTEM – Risk Management"** herein. There can be no assurance that future claims would not exceed the City's reserve and insurance or materially adversely affect its operations or financial condition.

Organized Labor Activity. Many of the Electric System's employees are represented by labor unions. See **"DESCRIPTION OF THE ELECTRIC SYSTEM – Employee Relations"** herein. Efforts to organize other employees of the Electric System into collective bargaining units or difficulties in reaching agreements with labor unions in the future could result in adverse labor actions or increased labor costs.

Natural Disasters or Terrorist Attacks. The occurrence of natural disasters, such as tornadoes, ice storms, snow storms, floods, earthquakes or droughts, or terrorist attacks could damage the facilities of the Electric System, affect fuel, power, or energy supply or power and energy production facilities, interrupt services or otherwise impair operations and the ability of the Electric System to produce revenues. For a discussion of the Electric System's property insurance and retentions, see **"DESCRIPTION OF THE ELECTRIC SYSTEM – Risk Management"** herein. There can be no assurance that future occurrences would not exceed the City's insurance or materially adversely affect its operations or financial condition.

Utility Rates. The City may have restraints on its ability to set rates for its Electric System at levels sufficient to provide net revenues for the payment of the Series 2022 Bonds. Rates for the Electric System must be set and maintained at levels that will attract and retain residential and commercial customers and must be competitive with alternative energy sources if future legislation permits alternate electric supply. Rate increases may be necessary during the term of the Series 2022 Bonds and projected Additional Bonds to maintain 110% debt service coverage from Available Electric Revenues. The amount and timing of any future rate increases are subject to several factors which the City cannot predict at this time, which include the amount of annual increases in operating costs for the Electric System, the impact of environmental regulation on system operations and miscellaneous other factors. In addition, any such rate increases will be subject to approval by the City Council of the City. As a result, potential investors should not rely on the fact that future electric rate increases will be implemented by the City.

Competition from Other Service Providers. Missouri law does not prohibit other providers of electricity from operating within the boundaries of the City. However, for-profit providers of electricity are subject to regulation by the Missouri Public Service Commission (the "PSC"), and are limited to operations within certificated service areas. There can be no assurance that, at some time in the future, the PSC will not permit such competition. Competition within the City's boundaries could adversely affect the ability of the City to impose rates or otherwise generate revenues at a level sufficient to meet the obligations of the Electric System from Available Electric Revenues.

Miscellaneous Factors. The utility industry in general has experienced, and may in the future experience, problems including (a) the effects of inflation upon the cost of operation of facilities, (b) uncertainties in predicting future demand requirements, (c) increased financing requirements coupled with the increased cost and uncertain

availability of capital, and (d) compliance with rapidly changing environmental, safety, rate and licensing regulations and requirements.

If Electric System revenues are not sufficient to provide for the payment of the costs of operating the Electric System, including the payment of principal of and interest on System Revenue Bonds and annual appropriation obligations such as the Series 2022 Bonds, default in the payment of the Series 2022 Bonds could occur.

Cybersecurity Risks

The City, like other public and private entities, relies on a large and complex technology environment to conduct its operations, and consequently faces the threat of cybersecurity incidents. Such incidents can result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's information technology systems to misappropriate assets or information or to cause operational disruption and damage. As a recipient and provider of personal, private or sensitive information, the City and its agencies and offices face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems.

In July of 2020, the City began an investment program of over four million dollars in upgrades to its computer and information-technology systems in order to better prepare for potential cyber-attacks. On December 5, 2020, during the period in which such upgrades were being implemented, the City was hit with a ransomware attack. Ransomware works by attacking user files, encrypting them and essentially holding the information hostage in exchange for a payment. The attack was successful in encrypting and removing files, but did not infect any of the City's critical operational systems. The City took its entire network offline temporarily to assess the extent of the damage, during which time the City's online utility bill payment system and other publicly accessible features were unavailable. Because of the downtime, the City temporarily waived late fees and penalties for power and water customers and temporarily suspended residential utility shutoffs for failure to pay. The files encrypted and/or removed during the attack were backed up on other City data storage devices, so the City did not lose access to any of its system. The City has closed the investigation and has not discovered any personal or other sensitive information taken as part of the attack. The City has sent notices to customers cautioning them that information may have been subject to the attack. To date, no lawsuits have been filed against the City as a result of the attack. The City has since completed its program of upgrades to provide increased protection against cyber-attacks.

Due to the attack, very few electricity billings were completed in December of 2020. Customers were billed for two months of service in January of 2021. Service shutoffs from December 7, 2020 through May 1, 2021 were originally suspended due to the attack and this was extended as part of the COVID-19 response. See **"FINANCIAL INFORMATION RELATED TO THE ELECTRIC SYSTEM – The Power and Light Fund – Operating Results for FY 2021 and Adopted Budget for FY 2022,"** for information relating to the effects on the results of operations of the Power and Light Fund.

The Electric System's SCADA/EMS and the Combustion Turbine Distributed Control System environments were unaffected by the ransomware attack on the City's corporate network due to the security measures put in place to protect the networks. The Department is taking additional precautions moving Operational Technology (OT) systems, such as the Outage Management System, off of the City's corporate network to limit vulnerabilities to Cyber Attacks. NERC Critical Infrastructure Protection (CIP) standards mandate many cyber security requirements which are being implemented for other OT systems.

It is possible that security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information or damage to operating systems resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the City's computer and information-technology systems and the services they provide, or the unauthorized disclosure of confidential and other credit information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the City may incur significant costs to remediate possible injury to the affected persons, and the City may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of computer

and information-technology systems could interrupt the City's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations and financial condition. The City does carry insurance to cover damages related to cyber-attacks.

Effects of COVID-19

In December 2019, a novel strain of coronavirus (which leads to the disease known as "COVID-19"), was discovered in Wuhan, China. Since that date, the virus has spread throughout the world and has been characterized by the World Health Organization as a pandemic. The impact of the COVID-19 pandemic on the U.S. economy has been broad based and has negatively impacted national, state and local economies. The federal government declared a "national emergency," the State declared a state of emergency and issued a temporary stay-at-home order, and Jackson County, Missouri, the County in which the City is located, issued a temporary stay-at-home order in the spring of 2020. The stay-at-home orders have since expired. Despite the expiration of such orders, cities and counties have the ability, and continue, to impose local public health orders restricting economic activities within the State.

During parts of 2020 and 2021, the City was subject to executive and public health orders requiring social distancing, closing or limitations on operation of certain retail establishments and reopening plans at the state and local level. In December of 2020, the City completed steps to re-establish the City of Independence Health Department (the "City Health Department") as a State-recognized local health authority in response to the COVID-19 pandemic. By order of the Mayor and the Acting Health Director of the City on December 9, 2020, the City issued its own "Safer Independence Guidelines" which became effective on December 11, 2020, and which were updated on February 20, 2021. On May 14, 2021, all social distancing capacity restrictions in the City were lifted. Private and public businesses, places of worship, and schools may still require masks, social distancing, and other restrictions at their discretion.

On July 28, 2021, the City issued a public health order (1) encouraging all residents to wear masks while indoors and to avoid large groups or other crowd-based activities, (2) encouraging businesses to require masks of their employees and guests when indoors and to promote vaccination among their staff, and (3) stating that masks will be required in all City facilities, with exceptions for certain individuals. On August 3, 2021, the City announced that it had rescinded the public health order and would operate under a public health advisory, which strongly encourages masks in all indoor spaces, regardless of vaccination status. Under the public health advisory, masks are not required but strongly encouraged at all City facilities including City Hall, Police Headquarters, Independence Utility Center, Sermon Center, Truman Memorial Building, Palmer Center, Independence Uptown Market, and the Events Center. The City Council continues to review the City's advisory statements and restrictions every 30 days.

On March 9, 2022, the Mayor rescinded the state of emergency within the City that had that had been in place since Spring 2020.

The COVID-19 response had a negative effect on the City's ability to collect electricity billings and limited the ability of the City to use utility shutoffs to enforce payment. Service shutoffs were suspended from March 13, 2020 through July 15, 2020, from August 20, 2020 through November 1, 2020, and from December 7, 2020 through May 1, 2021. Revenue collection lagged as a result, but past due balances ended lower in Fiscal Year 2021 than in Fiscal Year 2020, showing improvement in collections. As part of the application of funds received by the City under the federal Coronavirus Aid, Relief, and Economic Security Act or "CARES Act," the City designated \$2.2 million for utility assistance relief in Fiscal Year 2021. The funds were channeled through the Community Services League, via grants, and used to pay past due utility bills due to the City's utilities, a portion of which went to electricity payments. See **"FINANCIAL INFORMATION RELATED TO THE ELECTRIC SYSTEM"** herein, for effects on the results and current budgeting for the Electric System.

A resurgence of COVID-19 in the City or the State may worsen the adverse effects on the City and the revenues of the Electric System due to the economic ramifications of mandatory business and other closures. Developments regarding COVID-19 continue to occur on a daily basis and the extent to which COVID-19 will impact the City and such revenues in the future is highly uncertain and cannot be predicted.

Federal Investigation of Certain Transactions

In March of 2020, a federal grand jury issued a subpoena for records of closed-session (non-public) meetings held by the City Council of the City. Governing bodies of cities in Missouri are allowed by law to hold non-public meetings for a variety of purposes for which information discussed at such meetings may be detrimental if released to the public, including but not limited to buying or selling real estate and attorney-client matters such as litigation and contract negotiations. The three meetings for which records were requested were held on December 19, 2016, May 15, 2017 and October 23, 2017. During such meetings, the City Council discussed two transactions conducted by the City around the time of such meetings (although the City Council's discussion was not limited exclusively to such transactions). In one transaction, the City purchased approximately 94 acres of land and then leased the property to a private power company for the operation of a solar farm (the "Solar Farm Transaction"). In the other transaction, as part of the decommissioning of the "Missouri City Power Plant" that was once a part of the City's electric utility (known as "Independence Power & Light"), the City awarded a contract to demolish the Missouri City Power Plant (the "Power Plant Demolition Transaction"). The Solar Farm Transaction involved the purchase of property by the City for \$985,000, which property had been acquired by the seller within the prior year for \$550,000. The Power Plant Demolition Transaction involved the acceptance by the City of the higher of two bids received for the demolition project (the bid accepted was for approximately \$9.75 Million and the rejected bid was for approximately \$4.45 Million).

In March of 2020, the Federal Bureau of Investigations ("FBI") requested from the City copies of a resolution dated July 21, 2014 relating to the Power Plant Demolition Transaction, minutes of two meetings (June 27, 2016 and July 18, 2016), and a request for qualifications distributed by the City with respect to the Power Plant Demolition Transaction. In April of 2020, the FBI requested minutes of a June 23, 2017 meeting of the City utility board that advises the City Council on the governance of Independence Power & Light. In May of 2020, the FBI requested reimbursement receipts submitted by four members of the City Council and requested video of an April 3, 2017 City Council meeting. The Power Plant Demolition Transaction had been discussed at each of the meetings for which records were requested by the FBI. In June of 2020, the FBI requested data files establishing the boundaries of neighborhood council districts displayed on the City's website. The neighborhood councils are a system of not-for-profit entities at the neighborhood level that operate within defined boundaries and advocate for public services and improvements and economic development within their areas.

Based on the City's present knowledge and information available to the City, the City does not believe the ultimate resolution of the investigations will have a material adverse effect on the Available Electric Revenues or the overall financial condition of the Electric System or the City.

Titan Fish Lawsuit

In July of 2020, Titan Fish Partners, LLC and a named individual filed a petition against the City and two City Council members (the "Titan Fish Lawsuit"). Titan Fish Partners, LLC is the seller of land to the City in the Solar Farm Transaction discussed above under **"BONDOWNERS' RISKS – Federal Investigation of Certain Transactions."** The petition claims that certain statements made by such City Council members to and reported in the *Kansas City Star* charged Titan Fish Partners, LLC with being under investigation by the FBI, and that such statements caused damage to the plaintiffs based on defamation, intentional infliction of emotional distress, and tortious interference with a business expectancy. The defendants filed a motion for summary judgement denying the petition, in response to which the court granted the City's motion for summary judgment based on sovereign immunity, removing the City from the case. The case continues against the individual City Council members that were named in the petition. The City does not believe the ultimate resolution of the Titan Fish Lawsuit will have a material adverse effect on the Available Electric Revenues or the overall financial condition of the Electric System or the City.

Barry Jones Lawsuit

In December of 2018, Barry Jones, an individual customer of Independence Power & Light, brought suit (the "Barry Jones Lawsuit") against the City, Independence Power & Light, the Acting Director of Independence Power & Light and three companies that provided computer software to Independence Power & Light, seeking to

certify a class for a class action lawsuit and alleging that Independence Power & Light had overcharged its customers on their electric utility bills by overstating the amount of electricity consumed. The allegations included violation of the Missouri Merchandising Practices Act, conversion by wrongfully taking money, unjust enrichment, fraudulent misrepresentation, negligent misrepresentation, breach of contract, and negligence *per se*. In February of 2019, the plaintiff filed a first amended petition adding two named plaintiffs to represent classes of for-profit and non-profit customers, in addition to the class of individual persons represented by Barry Jones. In June of 2021, the plaintiffs were granted leave to file a second amended petition in order to (1) add three additional defendants, including then-Mayor Eileen Weir, the City Council itself, and the City's Public Utilities Advisory Board, and (2) plead an additional nine causes of action, including additional claims of unjust enrichment, breach of contract, fraud, breach of fiduciary duty, negligence, civil conspiracy, negligence *per se*, substantial assistance and encouragement in the commission of a tort, and substantial assistance and encouragement in the commission of a tort. The second amended petition added the allegation that the 9.08% payment in lieu of tax charged by the City on gross receipts of Independence Power & Light violates Section 3.17 of the City's charter, which provides that "[t]he electric utility shall not be operated for the benefit of other municipal functions, and shall not be used directly or indirectly as a general revenue producing agency for the city, but it may pay to the city an amount in lieu of such taxes as are normally placed upon private business enterprises" and that "[a]fter providing for depreciation accruals and amortization of bonds, and for reasonable accumulation of surplus, the electric utility shall apply all annual profits to rate reductions."

A series of motions to dismiss were filed by the defendants. On January 18, 2022, the court entered an order granting motions to dismiss on claims against City Council, the City, Independence Power & Light, then-Mayor Eileen Weir and the City's Public Utilities Advisory Board for breach of fiduciary duty and on claims against City Council and the City's Public Utilities Advisory Board for civil conspiracy. Motions to dismiss other claims were denied. In the same order, the judge certified the class for the lawsuit as including all residential and commercial customers of Independence Power & Light from and after January 1, 2011 and all non-profit customers of Independence Power & Light from and after May 14, 2018. Trial was scheduled for April 18, 2022.

The City does not believe the ultimate resolution of the Barry Jones Lawsuit will have a material adverse effect on the Available Electric Revenues or the overall financial condition of the Electric System or the City.

Suitability of Investment

Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Series 2022 Bonds are an appropriate investment.

CERTAIN REGULATORY FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

Electrical Utility Industry Regulation, Generally.

The electric utility industry has been, and in the future will be, affected by a number of factors which will have an impact on the business, affairs and financial condition of both public and private electric utilities, including the Electric System.

Such factors include, among others, (a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (c) increased competition from independent power producers, marketers and brokers, (d) competition from other electric utilities (including increased competition resulting from mergers, acquisitions and "strategic alliances" of competing electric (and gas) utilities and from competitors offering less expensive electricity from much greater distances transmitted over an interconnected system, (e) new methods of producing low cost electricity (f) "self-generation" by certain industrial and commercial customers, (g) issues relating to the ability to issue taxable and tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations, (h) changes from projected future load requirements, (i) increases in costs and effect of inflation on the

operation and maintenance of an electric utility and its facilities, (j) shifts in the availability and relative costs of different fuels, (k) changes that may result from a national energy policy, climate change legislation and regulations that target contributions made by coal-fired and other fossil fueled generating units or other federal and state legislative changes, (l) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy, fuel and transmission capacity, (m) effects of financial instability of various participants in the power market, (n) issues related to reliability and both physical and cyber security at Electric System facilities, (o) transmission availability and cost allocation, or (p) changes in revenue due to unseasonable changes in the weather. Any of these factors (as well as other factors) could have an effect on the financial condition of any given electric or natural gas utility, including the Electric System, and likely will affect individual utilities in different ways.

The City cannot predict what effects these factors will have on the business, operations and financial condition of the Electric System, but the effects could be significant. The following sections of this caption provide brief discussions of these factors. However, these discussions do not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement. Extensive information on the electric utility industries is available from legislative and regulatory bodies and other sources in the public domain.

Federal Energy Legislation

The Energy Policy Act of 1992. The Energy Policy Act of 1992 (the “1992 Energy Act”) made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. With the passage of the 1992 Energy Act, FERC was given authority to direct utilities to make their transmission systems available for use by others at rates and terms comparable to the owners’ uses of their own systems. In particular, the 1992 Energy Act provides the FERC with the authority, upon application by an electric utility, federal power marketing agency or other power generator, to require a transmitting utility to provide transmission services to the applicant essentially on the cost of service basis. Municipally-owned electric utilities are “transmitting utilities” for purposes of these provisions of the 1992 Energy Act. This “open access” environment provides an expanded and more competitive market for both generators and wholesale purchasers of electricity, and such increased competition is expected to continue in the future.

The Electric System operates under the SPP Regional Transmission Tariff. The City has turned the control of its transmission system scheduling over to SPP under applicable tariff agreements.

Under certain FERC regulations, FERC has required open-access, mandatory transmission tariffs to be placed into effect for all jurisdictional utilities. Utilities are authorized to file for changes in their tariffs under the Federal Power Act. The goal of these regulations, according to FERC, is to deny to an owner of transmission facilities any unfair advantage over its competitors that exists by virtue of such owner’s control of its transmission system.

Energy Policy Act of 2005. The Energy Policy Act of 2005 (the “2005 Energy Act”) addressed a wide array of energy matters that affect the entire electric utility industry, including the Electric System. Among other things, the 2005 Energy Act: (a) authorizes FERC to require non-FERC jurisdictional utilities to provide open access to their transmission systems and to comply with certain rate change provisions of the Federal Power Act (the “FPA”); (b) authorizes FERC to order refunds for certain short-term, wholesale sales by state and municipal power entities if such sales violate FERC-approved tariffs or FERC rules; (c) allows load-serving entities that hold certain firm transmission rights to continue to use those rights to serve their customers; (d) provides for the establishment of a national electric reliability organization to develop and enforce, subject to FERC’s oversight, mandatory reliability standards for operation of the transmission grid; (e) prohibits market manipulation and submission of false information; (f) gives FERC certain authority to issue construction permits for transmission projects that are to be located in “national interest electric transmission corridors” (to be designated by the Department of Energy); (g) eliminates certain ownership restrictions on qualifying cogeneration and small power production facilities under the Public Utility Regulatory Policies Act and authorizes FERC to eliminate prospective utilities’ obligation to purchase from these qualifying facilities under certain circumstances; (h) requires state utility regulatory commissions and “non regulated electric utilities” to consider adopting certain standards on net metering, fuel diversity, fossil fuel plant diversity, certain metering and time-based rate schedules and demand response, and interconnection with distributed generation facilities; (i) replaces regulation of utility holding companies under the Public Utility Holding Company Act of 1935 with more limited oversight of such companies; (j) increases FERC’s authority to review

mergers of public utility companies; and (k) directs FERC to establish, for transmission companies whose rates are regulated by FERC, rate incentives to invest in transmission.

In accordance with the 2005 Energy Act, on July 20, 2006, FERC issued an order certifying NERC as the ERO for the United States. Power and Light facilities of 100kV and above and associated facilities are subject to NERC Reliability Standards.

Order No. 1000, issued by FERC in 2011, requires public utility transmission providers to improve transmission planning processes and allocate cost for new transmission facilities to beneficiaries of those facilities, and requires public utility transmission providers to align transmission planning and cost allocation in order to remove barriers to development of transmission facilities, and competitive bidding for construction of certain transmission projects. Municipally-owned electric utilities are not subject to FERC jurisdiction under these orders but may be denied transmission service by a FERC-jurisdictional utility if they do not offer comparable transmission services.

FERC stated that its overall objective was to ensure that all participants in wholesale electricity markets have non-discriminatory open-access to transmission service, including network transmission service and ancillary services. FERC also indicated that it intends to apply the principles set forth in the regulations to the maximum possible extent to municipal and other non-jurisdictional utilities, both in deciding requests for transmission services orders, as described above, and by requiring such utilities to agree to provide open access transmission service as a condition to securing transmission service from jurisdictional investor-owned utilities under open access tariffs.

Other Federal Actions. Congress has not passed major energy legislation in the past few years. The House of Representatives has created a Select Committee on the Climate Crisis, and nearly every House committee has held climate related hearings in recent years. Various legislative proposals have been introduced to set carbon fees, establish cap-and-trade programs, and increase climate-related research and development. In the Senate, bipartisan legislation has been authored to advance carbon capture, utilization and storage. In addition, more targeted proposals on the extension of renewable tax credits and new tax credits for energy storage are pending. Senate Finance Committee Chairman Ron Wyden (D-OR) has also proposed a wholesale rewrite of energy tax law to provide incentives focused on the greenhouse gas content of energy production. It is impossible to predict when Congress will act on climate change legislation, what form any such legislation will take, and whether the impact on the Electric System of any such legislation will be material.

RTO-Operated Markets

In addition to coordinating wholesale transmission operations and services, RTOs operate centralized markets for wholesale electricity products such as capacity, energy and ancillary services. By virtue of its membership and having generation and transmission resources located in SPP, the Electric System is subject to the tariff provisions and business practices governing the operation of wholesale electricity markets in this RTO. As a result, the Electric System's costs of securing power to meet its needs are affected by the market and administrative mechanisms approved by FERC for use in setting prices for energy and ancillary services (as well as transmission service) in SPP.

The nature and operations of RTOs and RTO markets continue to evolve, and the City cannot predict whether their existence will meet FERC's goal of reducing transmission congestion and costs and creating a competitive power market.

Integrated Marketplace

On March 1, 2014, the SPP launched the Integrated Marketplace ("IM"). This market expansion is the latest and most complex incremental step in SPP's evolutionary approach to adding market functionality that will coordinate next-day generation across the region to maximize cost-effectiveness, provide participants with greater access to reserve energy, improve regional balancing of electricity supply and demand, and facilitate the integration of renewable resources. Specifically, the Integrated Marketplace includes:

- A Day-Ahead Market with Transmission Congestion Rights (TCRs).

- A Reliability Unit Commitment process.
- A Real-Time Balancing Market replacing SPPs Energy Imbalance Service (EIS) Market.
- Incorporation of a price-based Operating Reserve Market.
- Combining numerous individual Balancing Authorities into a single SPP Balancing Authority.

The Electric System's power generation, system control and marketing successfully transitioned to IM requirements. The Department has registered the City as a Market Participant, bids in load and offers generation assets into the market Day-Ahead. The Department utilizes a propriety program to manage bids and offers in the Market, along with submitting meter data. A propriety program is utilized to forecast load on a daily basis to minimize error between forecasted and actual load. Dispatch instructions are received day-ahead and in real-time, department personnel respond as instructions are received.

Climate Change and Regulation of Greenhouse Gasses

Limitations on emissions of greenhouse gasses (GHG), including CO₂, create significant exposure for electric fossil-fuel-fired generation facilities. The EPA issued final rules regulating CO₂ emissions from various classes of electric generating units in October 2015. The rules for existing generation, known as the Clean Power Plan ("CPP") call for a 32% reduction of carbon emissions from power plants from 2005 emission levels, by 2030. The rule became effective December 22, 2015. The CPP would not directly regulate greenhouse gas emissions by specific electric generating units, but instead would impose state-by-state caps on aggregate greenhouse gas emissions, allowing respective states to develop their own method to comply with their emissions cap.

In October 2017, the EPA proposed to repeal the CPP, and the repeal was finalized in July 2019. Also in July 2019, the EPA promulgated the Affordable Clean Energy Rule ("ACE"). ACE replaced CPP and applied only to large coal-fired power generating plants. On January 19, 2021, the D.C. Circuit Court vacated the ACE rule. The EPA has indicated that it will revisit options for regulating electric fossil-fuel-fired generation sources.

The Biden Administration has signaled a renewed focus on mitigating the effects of climate change. The Biden Administration issued executive orders, recently reentered the Paris Climate Accord, announced plans to pursue a 50-52% reduction from 2005 levels in economy-wide net greenhouse gas pollution in 2030 and stated a goal to reach net zero emissions economy-wide by no later than 2050.

The City actively reviews, and tracks proposed legislation and regulation, hearings and other federal and state activity that would impact the costs and reliability of wholesale electric supplies. Although the City is unable to predict the outcome of these matters, the potential impacts of mandatory greenhouse gas emissions limitations on the City could be material.

With the retirement of the Blue Valley Steam units in June 2020, the Electric System currently does not operate any facilities that are required to report our GHG emission under subject to monitoring and reporting requirements for GHG under EPA's mandatory greenhouse gas reporting program. The GHG emissions of our substation generation turbines are subject to the GHG Reporting Rule but have not had emissions above the reporting threshold in the past. The emissions of our existing turbine fleet will continue to be monitored annually and will be reported if required. GHG regulations have no current material impact on the Electric System; however, the City is monitoring the regulation of GHG closely as any potential future carbon tax could have a significant impact.

Other Environmental Regulation

Clean Air Act. The Clean Air Act Amendments of 1990 (the "1990 CAA") mandated reduced Sulfur Dioxide ("SO₂") and Nitrogen Oxide ("NO_x") emissions from electric utility power plants. The 1990 CAA established a market-based compliance program which allows the selling and trading of SO₂ allowances. An "allowance" is the authorization to emit one ton of SO₂ in a given year. Management believes that the Electric System is in full compliance with the emission standards under the 1990 CAA. No allowances were sold during the 2021 fiscal year.

In addition, the EPA has promulgated a series of clean air regulations with a goal of reducing or eliminating emissions from coal-fired power plants.

Cross-State Air Pollution Rule. In 2011, the EPA promulgated the Cross-State Air Pollution Rule (“CSAPR”) to reduce power plant emissions of SO₂ and NO_x emissions in certain states, including Missouri. Phase 1 of CSAPR began January 1, 2015 then followed by Phase 2 in 2017 for both Annual SO₂ and NO_x and the Ozone Season NO_x Programs. The Electric System has built a substantial bank of historical SO₂, NO_x and OS NO_x credits but does not currently operate any assets that require allocations for this emission. The City cannot predict the impact of any future rulemaking on Electric System operations.

National Ambient Air Quality Standards. The Clean Air Act requires EPA to establish NAAQS for certain air pollutants, including particulate matter and ozone. When a NAAQS has been established, each state must implement programs to achieve and maintain the NAAQS in that state. Each state must identify areas in its state that do not meet a NAAQS (known as “non-attainment areas”) and develop regulatory measures to reduce or control the emissions of that air pollutant in order to meet the NAAQS and become an “attainment area.”

In 2015, the EPA issued a final rule related to NAAQS for ground-level ozone. The rule established the 8-hour ground-level ozone standard of 70 ppb. In December 2020, the EPA acted to retain the 2015 standard. The December 2020 rule is being challenged by multiple parties in the D.C. Circuit. With the retirement of the Blue Valley Plant in 2020, the Electric System ceased to operate any assets that are subject to the ozone standards, or NAAQS regulations, generally.

Mercury and Air Toxics Standards Rule. On February 16, 2012, the EPA issued the Mercury and Air Toxics Standards (“MATS”) to control emissions of hazardous air pollutants (HAPs) from power plants. These pollutants include mercury, arsenic, chromium, nickel, dioxins, furans, acid gases, hydrogen chloride and hydrogen fluoride. For existing and new coal-fired electric generating units, MATS established numerical emission limits which were to be met by April 16, 2015, unless an extension was granted. MATS has been the subject of multiple legal challenges by both industry and environmental groups, but currently the rule as supplemented on May 22, 2020, remains in effect.

With the retirement of the Blue Valley Plant in 2020, the Electric System ceased to operate any assets that are subject to the ozone standards, or NAAQS regulations, generally.

Regional Haze. In June 2005, the EPA issued the Clean Air Visibility Rule, amending regulations that control air emissions to protect visibility in national parks and wilderness areas throughout the United States. Under the rule, some electric generating facilities were required to install best available retrofit technology (BART) to control particulate matter, sulfur dioxide and nitrogen oxide emissions. States were required to develop regional haze plans and identify facilities that would have to reduce emissions and then set BART emissions limits for those facilities. In 2012, EPA approved the Missouri Regional Haze State Implementation Plan. The most recent progress report was submitted to EPA by MDNR in 2016. States are required to submit their regional haze implementation plan revisions to EPA by July 31, 2021, and every 10 years thereafter, and submit progress reports to EPA every five years.

Internal Combustion Maximum Achievable Control Technology Rule. In 2010, the EPA issued a final rule regulating hazardous air pollutant emissions from Compression Ignition Reciprocating Internal Combustion Engines (“CI-RICE”) larger than 100 braking horsepower, including formaldehyde. The rule provided differing mandatory requirements for engines based on total horsepower, with the most stringent controls, including the installation of catalytic converters, reserved for units over 500 horsepower. The rule allows cities to designate these units for “emergency only” operation and generate with the units without any emission controls when power is interrupted from their regular supplier. The City has six (6) RICE starting engines at Substation H, I and J that must comply with MACT requirements under Subpart ZZZZ *National Emission Standards for Hazardous Air Pollutants for Stationary Reciprocating Internal Combustion Engines*. In addition, the City has two (2) RICE engines that are deployed for emergency operations to support plant functions (e.g., on-site fire suppression system pumps, water treatment plant back-up pumps, broadband system backup generators) at Blue Valley. Currently, the City is in compliance with all MACT Rule provisions.

Air Emissions New Source Review. Both the Federal Clean Air Act and Missouri Air Pollution Control Program contain new source review (“NSR”) requirements that require pre-construction permits authorizing the discharge of air emissions from new or modified facilities. Beginning in the late 1990’s, the EPA issued notices of violation against multiple utilities across the country for alleged violations of the NSR provisions. In many cases, the U.S. Department of Justice has filed lawsuits alleging NSR violations. Many of the lawsuits have been settled. Generally, the government alleged that projects performed at various coal-fired units were major modifications requiring permits and stringent air pollution controls under the Prevention of Significant Deterioration (“PSD”) and/or Title V programs. The lawsuits seek CAA statutory penalties and the installation of Best Available Control Technology (“BACT”). Affected facilities are required as part of the permitting process to undergo a BACT review to determine what additional emission controls or mitigation strategies, if any, could be implemented to further reduce emissions. The U.S. Supreme Court issued a ruling on June 23, 2014, invalidating that portion of the rule which requires new sources which would not be required to undergo Title V permitting or PSD review except for their emissions of CO₂, to do so.

The Electric System’s generating facilities have not been subject to investigation as part of this enforcement initiative. The Electric System does not currently operate any assets that are subject to NSR.

Solid Waste Disposal. In 2015, the EPA issued a final rule for the Effluent Limitation Guidelines (ELG) for Steam Electric Generation Point Sources. The rule required the dry handling of both bottom and fly ash from existing coal-fired boilers with generation capacity greater than 50 MW. On August 31, 2020, the EPA issued a final rule revising the bottom ash transport water waste stream limits for existing facilities. With the retirement of the Blue Valley Plant in June 2020, the City does not have any electric facilities that are regulated under the ELG, and thus, does not anticipate any material impact from the 2020 ESG rule.

On April 17, 2015, the EPA published final rules for regulating the disposal and management of Coal Combustion Residuals (CCR). The final rule does not apply to landfills that ceased receiving residuals prior to the effective date of the rule. The final rule preserves the Bevill determination that coal combustion residuals are non-hazardous and maintains regulation CCR under Subtitle D of the Resource Conservation and Recovery Act (RCRA). Further, the rule supports recycling of CCR by encouraging safe, beneficial use practices. The final rule requires the Electric System to demonstrate compliance for its CCR surface impoundments and landfills through verification and demonstration process, including establishing groundwater monitoring, development of fugitive dust plans, and enhanced inspection programs. Elements of this demonstration and verification process may require capital investment, which could be significant depending on the results of the testing and increase operating costs to the Electric System. The City’s compliance efforts are described in the Environmental Compliance Risk section above.

Permitting

Wastewater Discharge Permits. The Clean Water Act contains requirements relating to the discharge of process wastewater and storm water to navigable waters of the United States. The Missouri Department of Natural Resources (“MoDNR”) establishes the requirements through issuance of National Pollutant Discharge Elimination system (“NPDES”) permits. The Electric System has a NPDES permit for the Blue Valley Plant, Missouri State Operating Permit MO-0115924. This permit covers the outdoor storage of electrical equipment, a fueling island, outdoor utility pole storage, and the groundwater monitoring network surrounding the former CCR impoundments. The City is in compliance with all stipulations of the NPDES permit including maintaining an updated Stormwater Pollution Prevention Plan.

Waters of the United States. In 2015, the EPA issued a rule revising the definition of “Waters of the United States” (“WOTUS”). In the 2019, EPA repealed the 2015 rule and re-codified the prior definition of “Waters of the United States.” In April 2020, the EPA again revised the definition of “Waters of the United States” under its Navigable Waters Protection Rule. The rule includes four categories of federally regulated waters, as well as 12 exclusions that are explicitly not waters of the United States. In June 2021, the EPA announced its intent to initiate a new rulemaking process that restores the protections in place prior to the WOTUS implementation and develops a new rule to establish a definition of “Waters of the United States.” The Electric System occasionally has projects that require a determination as to whether a water is a water of the United States. The Electric System does not have any current projects impacted by this rule, though the City cannot evaluate future projects at this time.

In addition to the WOTUS rule, in April 2019, the EPA issued an Interpretative Statement regarding the scope of Clean Water Act permitting. The Interpretative Statement formalizes the EPA's position that releases of pollutants to groundwater are excluded from the Clean Water Act's permitting requirements, regardless of whether that groundwater is hydrologically connected to surface water. Since issuance of the Interpretative Statement, the U.S. Supreme Court issued an opinion finding that pollutants that leave a point source and reach navigable waters require a permit when there is a direct discharge from a point source into navigable waters or when there is the functional equivalent of a direct discharge." While the EPA indicated it would revisit the Interpretative Statement in light of the Supreme Court decision, it has not done so as of the date of this Official Statement. The Missouri Clean Water Law (Chapters 640 and 644) currently do give the State of Missouri authority to regulate groundwater as a "water of the state". Consequently, the State included groundwater protection conditions in the Blue Valley NPDES permit as stated above. The City is currently in a 2-year quarterly groundwater monitoring program at the end of which groundwater will be evaluated for potential health impact. At this time, the City cannot evaluate the impact of any future determination regarding groundwater protection surrounding the former CCR impoundments.

Air Emissions Operating Permits. The Federal Clean Air Act ("CAA") and Missouri Air Pollution Control Program (APCP) impose a suite of requirements on electric generating facilities. The several EPA air quality regulations are generally implemented by MoDNR through its State Implementation Plan (SIP). The regulatory programs are summarized at a high-level below. The Electric System currently has four (4) Part 70 Air Permits: Blue Valley OP2017-027, Substation H OP2017-008, Substation I OP2017-009, and Substation J OP2017-010. With the cessation of generation activities at Blue Valley in June 2020, the City submitted a termination request, and the Blue Valley permit will expire on March 28, 2022. The City is in compliance with all stipulations of its Air Permits and does not anticipate a material impact resulting from these permits at this time.

Acid Rain Permits. The Federal Clean Air Act, Title IV, establishes the Acid Rain Program to address the effects of acid rain and impose restrictions on sulfur dioxide (SO₂) emissions and nitrogen oxide (NO_x) emissions from electric generating facilities, particularly those fueled by coal. SO₂ emissions were limited by means of a market-based cap and trade program. The Electric System held an Acid Rain Permit at the Blue Valley Plant until September 17, 2020, when a formal retired unit exemption was filed with EPA.

Solid Waste Disposal Permits. At this time the MoDNR has not promulgated a permitting system for the management and disposal of coal combustion residuals (CCR) generated by power stations. The MoDNR is regulating potential groundwater impacts surrounding former CCR impoundments through the Mo Clean Water Law and State NPDES program. The City is in compliance with current permit requirements and regulations. If MoDNR promulgate a Solid Waste permit program for former CCR impoundments, the City will apply. The Electric System completed a study and implemented enhanced groundwater monitoring in the vicinity surrounding the former Blue Valley impoundments in 2021. These actions satisfy the current provisions of its NPDES permit and incorporate provisions of EPA's final coal combustion residuals (CCR) regulation (as described above). The final material impact of the former CCR impoundments on the City's Electric System cannot be evaluated at this time.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Series 2022 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2022 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2022 Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2022 Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Series 2022 Bonds:

Federal and Missouri Tax Exemption. The interest on the Series 2022 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

Alternative Minimum Tax. Interest on the Series 2022 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

No Bank Qualification. The Series 2022 Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

Bond Counsel’s opinions are provided as of the date of the original issue of the Series 2022 Bonds, subject to the condition that the Board and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2022 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Board and the City have covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2022 Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Series 2022 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2022 Bonds but has reviewed the discussion under the heading “**TAX MATTERS.**”

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Series 2022 Bond over its issue price. The issue price of a Series 2022 Bond is the first price at which a substantial amount of the Series 2022 Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Series 2022 Bond during any accrual period generally equals (1) the issue price of that Series 2022 Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2022 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2022 Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2022 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If a Series 2022 Bond is issued at a price that exceeds the stated redemption price at maturity of the Series 2022 Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Series 2022 Bond. Under Section 171 of the Code, the purchaser of that Series 2022 Bond must amortize the premium over the term of the Series 2022 Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2022 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2022 Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Series 2022 Bond, an owner of the Series 2022 Bond generally will recognize gain or loss in an amount equal to

the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2022 Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Series 2022 Bond. To the extent a Series 2022 Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2022 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Series 2022 Bonds, and to the proceeds paid on the sale of the Series 2022 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Series 2022 Bonds should be aware that ownership of the Series 2022 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, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2022 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2022 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2022 Bonds, including the possible application of state, local, foreign and other tax laws.

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 2021 are included in the City's Comprehensive Annual Financial Report in **Appendix B** to this Official Statement. These financial statements have been audited by Rubin Brown LLP, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto. Rubin Brown LLP, the City's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Rubin Brown LLP also has not performed any procedures relating to this Official Statement.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2022 Bonds by the Board are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, whose approving opinion will be delivered with the Series 2022 Bonds. Certain legal matters will be passed upon for the Board by its counsel, Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters relating to the Official Statement will be passed upon for the City by Gilmore & Bell, P.C., Kansas City, Missouri. Certain legal matters will be passed upon for the City by Lauber Municipal Law, LLC, Lee's Summit, Missouri, serving as the City Counselor of the City. Certain legal matters will be passed upon for the Underwriter by its counsel, FisherBroyles, LLP.

The various legal opinions to be delivered concurrently with the delivery of the Series 2022 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

The Board

There is not now pending or, to the knowledge of the Board, threatened any litigation against the Board seeking to restrain or enjoin the issuance or delivery of the Series 2022 Bonds, or questioning or affecting the validity of the Series 2022 Bonds or the proceedings of the Board under which they are to be issued, or which in any manner questions the right of the Board to enter into the Indenture or the Financing Agreement or to secure the Series 2022 Bonds in the manner provided in the Indenture or the Act.

The City

There is not now pending or, to the knowledge of the City, threatened any litigation against the City seeking to prohibit, restrain, or enjoin the issuance, sale, or delivery of the Series 2022 Bonds or the collection of the Trust Estate pledged or to be pledged by the Board to pay the principal of and interest on the Series 2022 Bonds, or the pledge thereof, which in any manner questions the right of the City to enter into the Financing Agreement or to secure the City's Loan Payments with respect to the Series 2022 Bonds in the manner provided in the Financing Agreement or as described herein, or affecting or seeking to prohibit, restrain or enjoin the City's covenant for the City Manager or Acting City Manager to include or cause to be included in each budget submitted to the City Council the necessary annual appropriation for the Loan Payments as required under the Financing Agreement.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the Series 2022 Bonds the rating shown on the cover page of this Official Statement. Such rating reflects only the view of S&P, and any further explanation of the significance of such rating may be obtained only from the rating agency. The rating does not constitute a recommendation by the rating agency to buy, sell or hold any bonds, including the Series 2022 Bonds. There is no assurance that any rating when assigned to the Series 2022 Bonds will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of the rating assigned to the Series 2022 Bonds may have an adverse effect on the market price of the Series 2022 Bonds.

The City has furnished the rating agency with certain information and materials relating to the Series 2022 Bonds and the City that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies.

Neither the City, the Board nor the Underwriter has undertaken any responsibility to bring to the attention of the Owners of the Series 2022 Bonds any proposed revision or withdrawal of a rating of the Series 2022 Bonds or to oppose any such proposed revision or withdrawal, except that the City has agreed in the Continuing Disclosure Undertaking to inform Owners of any such revision to the rating as set forth in the Continuing Disclosure Undertaking. Any downward revision or withdrawal of the rating may have an adverse effect on the market price and marketability of the Series 2022 Bonds.

CONTINUING DISCLOSURE

The City will execute a Continuing Disclosure Undertaking with respect to ongoing disclosure which will constitute the written understanding for the benefit of the holders of the Series 2022 Bonds required by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. A form of the Continuing Disclosure Undertaking is included in **Appendix I**. The Board has determined that no financial or operating data concerning the Board is material to an evaluation of the offering of the Series 2022 Bonds or to any decision to purchase, hold or sell Series 2022 Bonds and the Board will not provide any such information. Any commitment or obligation for continuing disclosure with respect to the Series 2022 Bonds or the City has been undertaken solely by the City.

The City has previously entered into continuing disclosure undertakings similar to the Continuing Disclosure Undertaking related to most of the outstanding bonds listed in **Appendix A** under the heading “**FINANCIAL INFORMATION CONCERNING THE CITY – Obligations of the City – General Obligation Debt**” and “– *Revenue Obligations.*” The City believes it has complied in all material respects during the past five years with its prior undertakings, except as follows:

- For fiscal year ended June 30, 2018, the City timely filed its audited financial statements on EMMA; however, the audited financial statements were not timely linked to all CUSIP numbers for the Series 2012F Bonds, Series 2013A Bonds and Series 2014C Bonds issued on behalf of the City by the Board (certain of which are still outstanding and are described in **Appendix A** hereto).
- For fiscal year ended June 30, 2018, the City timely filed the required operating data on EMMA under its Series 2012F Bonds and Series 2014C Bonds issued on behalf of the City by the Board (certain of which are still outstanding and are described in **Appendix A** hereto); however, this information was not timely linked to all CUSIP numbers for the Series 2012F Bonds and Series 2014C Bonds.
- For fiscal year ended June 30, 2018, the City did not file certain categories of operating data on EMMA required to be provided pursuant to its prior continuing undertakings entered into in connection with the City’s then-outstanding tax increment financing loan obligations and obligations related to the City’s Events Center evidenced by infrastructure facilities revenue bonds issued by the Board (certain of which are still outstanding and are described in **Appendix A** hereto) in the level of detail required by the continuing disclosure undertakings relating to certain of such bonds. Aggregate information relating to revenues required to be disclosed was available as part of the City’s comprehensive annual financial reports filed for such years, but certain continuing disclosure undertakings called for revenue information at a more detailed level. On December 26, 2019, the City, with the assistance of Gilmore & Bell, P.C. whom the City has since engaged to assist the City with ongoing continuing disclosure obligations as further discussed below, filed a supplemental report containing such information for fiscal years ended June 30, 2014 through 2018.
- In addition, the City did not file event notices relating to certain bond redemptions, defeasances or rating changes for certain prior bond issues for which it was the “obligated person” in full compliance with its prior continuing disclosure undertakings. The City believes, however, that any prior deficiency with respect to those event notices is not material, as the information was disseminated or available through other sources. Notwithstanding the foregoing, the City has posted notice of such rating changes in March of 2021.

To the extent that the above-referenced failures to comply could be remedied, the City has made the corrective filings with EMMA and corrected linking to all respective CUSIP numbers. Similarly, while the City has not always timely filed applicable notices of failures to file, the City has ensured all such filings have been made.

For Fiscal Year 2019, the City’s audited financial statements were not available by the filing deadline required under its prior undertakings. In accordance with its prior undertakings, the City filed unaudited financial statements on December 26, 2019, and filed its audited financial statements when they became available, although this was not until May 26, 2020. The reasons for this extended delay include the City’s employment of a new auditor starting with Fiscal Year 2019, the implementation of new financial software in Fiscal Year 2019, inefficiencies caused by turnover in City staff, difficulties in completing the audit while complying with COVID-19 social distancing measures at City Hall, and additional single-audit procedures performed by the auditor in response to the investigation of certain transactions described under “**BONDOWNERS’ RISKS – Federal Investigation of Certain Transactions.**”

For Fiscal Year 2020, the City’s audited financial statements were not available by the filing deadline required under its prior undertakings. In accordance with its prior undertakings, the City filed unaudited financial statements on December 23, 2020, and filed its audited financial statements when they became available on January 6, 2021.

For Fiscal Year 2021, the City's audited financial statements and operating data were timely filed.

In order to promote future compliance with its continuing disclosure undertakings, the City engaged Gilmore & Bell, P.C., to assist the City in better meeting its continuing disclosure obligations. The City's current engagement with Gilmore & Bell, P.C., is for five-years, beginning with the City's continuing disclosure obligations for fiscal year ended June 30, 2020. Additionally, in the spring of 2021, the City adopted a new continuing disclosure compliance policy for the purpose of formalizing procedures to better ensure compliance with its continuing disclosure undertakings and designating a specific City staff member as having responsibility for continuing disclosure and ensuring that such staff member understands the City's continuing disclosure obligations. The City believes the actions described in this paragraph establish processes sufficient to ensure that in the future it will make its continuing disclosure filings as required.

UNDERWRITING

The Series 2022 Bonds are being purchased by Morgan Stanley & Co. LLC (the "Underwriter"). The purchase contract for the Series 2022 Bonds (the "Bond Purchase Agreement") sets forth the obligation of the Underwriter to purchase the Series 2022 Bonds at a price equal to \$_____ (which reflects the par amount of the Series 2022 Bonds plus/less original issue premium/discount of \$_____ and less an underwriting discount of \$_____). The Underwriter's obligation to purchase the Series 2022 Bonds is subject to certain terms and conditions, including, without limitation, the approval of certain legal matters by counsel. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2022 Bonds if any are purchased. The Underwriter may offer and sell the Series 2022 Bonds to certain dealers (including dealers depositing the Series 2022 Bonds into investment trusts) and others at prices different from the public offering prices stated on the inside cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriter.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Board or the City, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Board or the City.

The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Morgan Stanley & Co. LLC, Underwriter of the Series 2022 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2022 Bonds.

MUNICIPAL ADVISOR

PFM Financial Advisors LLC (the “Municipal Advisor”) has acted as municipal advisor to the City in connection with the sale of the Series 2022 Bonds. The Municipal Advisor has assisted the City in matters relating to the planning, structuring and delivery of the Series 2022 Bonds and various other debt related matters. The Municipal Advisor will not be a manager or a member of any purchasing group submitting a proposal for the purchase of the Series 2022 Bonds.

VERIFICATION AGENT

Upon delivery of the Series 2022 Bonds, Robert Thomas CPA, LLC, a firm of independent certified public accountants, will deliver to the Underwriter a report verifying the mathematical accuracy of certain computations relating to the adequacy of the Escrow Fund to pay the redemption price of the Refunded Bonds. Such verification of the accuracy of the computations will be based upon information supplied by the Underwriter.

MISCELLANEOUS

The references herein to the Act, the Indenture, the Financing Agreement and the Continuing Disclosure Undertaking are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Indenture, the Financing Agreement and the Continuing Disclosure Undertaking. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Series 2022 Bonds will be on file at the office of the Trustee.

The agreement of the Board with the owners of the Series 2022 Bonds is fully set forth in the Indenture, and neither any advertisement of the Series 2022 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2022 Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of fact.

The Cover Page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

APPROVAL OF OFFICIAL STATEMENT

This Official Statement has been approved by the City as of the date on the cover page hereof. This Official Statement is submitted in connection with the sale and issuance of the Series 2022 Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Official Statement does not constitute a contract between the City and the owners of the Series 2022 Bonds.

CITY OF INDEPENDENCE, MISSOURI

APPENDIX A
INFORMATION CONCERNING THE CITY OF INDEPENDENCE, MISSOURI

APPENDIX B

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY OF
INDEPENDENCE, MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2021**

APPENDIX C

**THE DEPARTMENT'S 2021-2022 OPERATING BUDGET;
ELECTRIC SYSTEM OPERATING RESULTS AS OF JANUARY 31, 2021**

				January 2020						January 2021						January 2022		
				Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts			
				Original	Amended	(Budget Basis)	Original	Amended	(Budget Basis)	Original	Amended	(Budget Basis)	Original	Amended	(Budget Basis)			
Operating Revenues:																		
Charges for Services	\$	129,032,756	129,032,756	75,576,927	\$	130,313,972	130,313,972	75,044,289	\$	130,609,070	130,609,070	78,402,365						
Penalties		1,106,786	1,106,786	537,761		1,106,786	1,106,786	520,355		1,106,786	1,106,786	717,113						
Connection Charges		280,151	280,151	16,800		280,151	280,151	16,800		280,151	280,151	16,800						
Miscellaneous		153,113	153,113	32,644		—	—	20,572		—	—	28,713						
Temporary Service		73,321	73,321	3,550		—	—	600		—	—	1,600						
Rental Income		266,918	266,918	23,882		340,239	340,239	23,511		340,239	340,239	23,990						
Transmission Wheeling		5,000,000	5,000,000	2,858,313		5,000,000	5,000,000	2,930,813		5,000,000	5,000,000	2,513,564						
Total Operating Revenues		135,913,045	135,913,045	79,049,877		137,041,148	137,041,148	78,556,940		137,336,246	137,336,246	81,704,145						
Operating Expenses:																		
Personnel Services		31,688,028	31,588,018	17,147,560		27,275,535	27,275,535	16,128,483		29,687,152	29,693,152	17,027,376						
Other Services		22,355,604	23,626,129	13,265,160		26,731,853	26,729,853	16,540,752		27,329,604	27,726,815	15,158,428						
Supplies		60,432,176	60,292,661	31,296,366		57,859,830	57,859,830	32,186,348		60,402,130	60,400,130	34,060,349						
Capital Projects		2,952,300	14,117,037	4,764,537		5,285,000	15,463,979	5,622,916		6,003,956	11,609,690	4,130,888						
Capital Operating		1,191,600	435,600	10,533		1,313,400	1,315,400	46,003		1,617,600	1,619,600	199,057						
Debt Service		11,507,351	11,507,351	6,805,262		10,547,050	10,547,050	6,153,381		9,992,712	9,992,712	5,830,335						
Other Expenses		275,000	—	—		275,000	275,000	—		275,000	275,000	—						
Total Operating Expenses		130,402,059	141,566,796	73,289,418		129,287,668	139,466,647	76,677,883		135,308,154	141,317,099	76,406,433						
Nonoperating Revenues (Expenses):																		
Investment Income		211,000	211,000	749,906		200,000	200,000	302,562		202,902	120,902	66,859						
Interfund Charges for Support Services		1,828,147	1,828,147	1,086,253		1,828,147	1,828,147	1,021,338		1,828,147	1,828,147	1,025,581						
Miscellaneous Revenue (Expense)		886,189	886,189	615,970		886,189	886,189	(408,445)		715,639	715,639	322,887						
Total Nonoperating Revenue (Expenses)		2,925,336	2,925,336	2,452,129		2,914,336	2,914,336	915,455		2,746,688	2,664,688	1,415,327						
Income (Loss) Before Transfers																		
		8,436,322	(2,728,415)	8,212,588		10,667,816	488,837	2,794,512		4,774,780	(1,316,165)	6,713,039						
Capital Contributions		—	—	—		—	—	—		—	—	—						
Transfers Out – Utility Payments In Lieu of Taxes		(13,550,000)	(13,550,000)	(7,962,594)		(13,000,000)	(13,000,000)	(8,046,605)		(13,000,000)	(13,000,000)	(8,150,475)						
Transfers In		—	—	—		—	—	—		—	—	—						
Transfers Out		—	—	—		—	—	—		—	—	—						
Total Transfers		(13,550,000)	(13,550,000)	(7,962,594)		(13,000,000)	(13,000,000)	(8,046,605)		(13,000,000)	(13,000,000)	(8,150,475)						
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses, Budget Basis																		
	\$	(5,113,678)	(16,278,415)	249,994		(2,332,184)	(12,511,163)	(5,252,093)		(8,225,220)	(14,316,165)	(1,437,436)						
Source: The City’s Operating Budget’s for the electric system; presented on a budgetary basis which does not account for non-cash expenses such as depreciation. Unaudited numbers provided by City Staff on a budgetary basis.				Beginning Available Resources	78,743,426	Beginning Available Resources	82,856,511	Beginning Available Resources	49,849,263									
				Cancellation of Prior Year Encumbrances	204,595	Ending Available Resources	77,604,418	Ending Available Resources	48,411,827									
				Ending Available Resources	79,198,015													
				Current Debt Service Due	4,293,866	Revenue Risk	10,900,000	Revenue Risk	5,300,000									
				Capital Improvement Reserve	16,426,434	Capital Reserve	12,600,000	Capital Reserve	3,000,000									
				Operating Reserve (90 Days)	34,767,064	Expense Risk	12,900,000	Expense Risk	18,700,000									
				Capital Projects in Process - Non Bond	12,197,644	Working Capital	30,600,000	Working Capital	25,500,000									
				Prior Year Open Encumbrances - Non Cap	918,153	Targeted Reserve Level	67,000,000	Targeted Reserve Level	52,500,000									
				Reserved Resources	68,603,161	Total Non-Restricted Resources Available	\$ 10,604,418	Total Non-Restricted Resources Available	\$ (4,088,173)									
Total Non-Restricted Resources Available				\$ 10,594,854														

APPENDIX D

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

APPENDIX E

SUMMARY OF CERTAIN TERMS OF THE DOGWOOD PARTICIPATION AGREEMENT

The following is a summary of certain provisions contained in the Participation Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Participation Agreement for a complete recital of the terms thereof.

“Acquiring Person” has the meaning specified in the Participation Agreement.

“Action or Proceeding” means any lawsuit, arbitration or other alternative resolution process, Governmental Authority investigation, hearing, audit, appeal, administrative proceeding or judicial proceeding.

“Advance” has the meaning specified in the Participation Agreement.

“Agreed Rate” means the lesser of (a) two percent (2%) per annum above the “Prime Rate” in the United States as published in the “Money Rates” table of *The Wall Street Journal* from time to time and (b) the maximum rate of interest permitted by Applicable Law; provided, however, with respect to payments that are more than sixty (60) days overdue the Agreed Rate as determined under clause (a) of this definition shall be increased by two percent (2%) per annum. The Agreed Rate shall be calculated based on a 365/366-day year. If *The Wall Street Journal* ceases to publish the “Prime Rate,” the prime rate for purposes of this definition shall be the prime rate established by Citibank, N.A. as announced from time to time.

“Alternate” has the meaning specified in the Participation Agreement.

“Applicable Law” means, as to the Project or any Person, any applicable statute, common law, treaty, rule, code, ordinance, regulation, Governmental Approvals, interpretation, certificate or order of any Governmental Authority, or any judgment, decision, decree, injunction, order or the like of any court, arbitrator or other Governmental Authority, in each case applicable to or binding upon the Project or such Person or any of its properties or to which the Project or such Person or any of its property is subject.

“Attributes” means benefits inuring to a Participant as a result of its Ownership Interest.

“Capacity Share” has the meaning specified in the Participation Agreement.

“Capital Expenses” means all expenses incurred with respect to Capital Improvements.

“Capital Improvements” means capital additions or modifications to the Plant whether such capital improvements are required by Applicable Law or Prudent Industry Standards or are elective in the judgment of the Management Committee.

“Chapter 100 Lease” means a lease agreement, dated as of March 15, 2000, between the County, as lessor, and Dogwood, as lessee, as amended from time to time, including through that certain Third Amendment, dated as of March 25, 2004 and as amended and restated.

“Debt” means for any Person, without duplication:

- (a) indebtedness of such Person for borrowed money;
- (b) obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (c) obligations of such Person to pay (i) amounts due under financing leases, including any Chapter 100 Lease, or (ii) the deferred purchase price of Property or services (other than accounts payable in the ordinary course of business) and (iii) obligations under capitalized or operating leases;

(d) obligations of such Person under direct or indirect guarantees in respect of, and obligations (contingent or otherwise) of such Person to purchase or otherwise acquire, or otherwise to assure a creditor against Loss in respect of, indebtedness or obligations of another Person;

(e) all obligations of such Person under interest rate or currency protection agreements or other hedging instruments;

(f) all obligations of such Person to purchase securities (or other property) which arise out of or in connection with the sale of the same or substantially similar securities (or property);

(g) all deferred obligations of such person to reimburse any bank or other Person in respect of amounts paid or advanced under a letter of credit or other instrument; and

(h) indebtedness or obligations of others of the kinds referred to in clauses (a) through (g) secured by any Lien on or in respect of the Ownership Interest of such Person.

“Default” has the meaning specified in the Participation Agreement.

“Default Purchase Price” has the meaning specified in the Participation Agreement.

“Defaulting Participant” when used in the Participation Agreement has the meaning specified in the Participation Agreement, and when used in the Project Management Agreement, means a Participant that is in default pursuant to the Project Management Agreement.

“Deficiency Amount” has the meaning specified in the Participation Agreement.

“Double Majority Vote” means a vote (including by proxy or consent) of the Participants’ Representatives (or Alternates) on the Management Committee entitled to vote on the matter representing (a) more than fifty percent (50%) of the Ownership Interests of the Participants entitled to vote on the matter and (b) at least fifty percent (50%) of the Participants entitled to vote on the matter (in the case of clause b, one vote per Participant, provided that (i) all Affiliates shall be counted as a single Participant for this purpose and (ii) no Participant whose individual Percentage is less than three percent (3%) shall be entitled to vote on the matter).

“Encumbrance(s)” means any Lien, option, easement restriction on transferability, defect of title or other claim, demand, charge or encumbrance of any nature whatsoever, including any restriction on the use, voting, transfer, receipt of income or other exercise of any Attributes of ownership.

“Energy” means electric energy generated by the Plant.

“Energy Management Agreement” means the Energy Management Agreement, between the Project Management Company, on behalf of the Participants, and Westar Energy, Inc., until such time as it has been terminated in accordance with its terms and thereafter the agreement, if any, in effect from time to time between the Project Management Company, on behalf of the Participants, and the Energy Manager named therein providing for energy management services.

“Energy Manager” means the Person providing energy management services to the Project pursuant to the Energy Management Agreement.

“Fair Market Value” shall mean the value that would be obtained for the Ownership Interest of a Participant in an arms-length transaction between an informed and willing buyer and an informed and willing seller, taking into account the facts and circumstances then obtaining, as determined pursuant to the Participation Agreement.

“Fixed Operating Expenses” means all Operating Expenses that are not specifically classified as Variable Operating Expenses.

“Fuel” means natural gas for use in the Plant, or other fuels consumed in the Plant.

“Governmental Authority” means any court, tribunal, authority, agency, commission, official or other instrumentality of the United States, any arbitrator, any foreign country or any domestic or foreign state, county, city or other political subdivision or any Native American tribal council or similar governing entity having jurisdiction over the applicable party or subject matter.

“Insolvency Event” means, with respect to any Person, (a) such Person’s (i) failure to generally pay its Debts as such Debts become due, (ii) admitting in writing its inability to pay its Debts generally or (iii) making a general assignment for the benefit of creditors; (b) any proceeding being instituted by or against such Person (i) seeking to adjudicate as bankrupt or insolvent, (ii) seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or (iii) seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against such Person, either such proceeding shall remain undismissed for a period of thirty (30) days or any of the actions sought in such proceeding shall occur; or (c) such Person’s taking any action to authorize any of the actions set forth above in this definition.

“Liability” or **“Liabilities”** means any liability, obligation, expense, claim, Loss, damage, indebtedness, principal, interest, penalty, guaranty or endorsement of or by any Person, absolute or contingent, known or unknown, accrued or unaccrued, due or to become due, liquidated or unliquidated.

“Lien(s)” means any Mortgage, lien, pledge, charge or security interest, including liens for taxes or assessments, builder, mechanic, warehouseman, materialman, contractor, workman, repairman or carrier lien or other similar liens.

“Loss” means any loss, obligation, claim, Liability, settlement payment, award, judgment, fine, penalty, interest charge, expense, damage or other charge, including litigation expense.

“Majority Vote” means a vote (including proxies) of the Participants’ Representatives (or Alternates) on the Management Committee representing greater than fifty percent (50%) of the Ownership Interests of all of the Participants eligible to vote on the matter at issue.

“Management Committee” means the committee established in the Participation Agreement.

“Mortgage” means a mortgage, a deed of trust, a security agreement or any other type of security instrument pursuant to which a Lien is granted. The term “mortgagee” shall be deemed to include the trustee and beneficiary under, and the party secured by, any such Mortgage.

“Net Energy” means Energy after deducting load consumed in the operation of the Plant and other Project Site facilities.

“Non-Defaulting Participant(s)” has the meaning specified in the Participation Agreement.

“Offer” has the meaning specified in the Participation Agreement.

“Operating Expenses” means for any period, all expenses of the Project, without duplication, that are not classified as Capital Expenses, which Operating Expenses shall be classified as either Fixed Operating Expenses or Variable Operating Expenses. Operating Expenses include maintenance costs, payments for water and other utilities, amounts payable under Project Agreements, costs of obtaining and maintaining Governmental Approvals, costs of performance of obligations under or in respect of the Project Agreements, premiums for Insurance Policies, utilities, franchise, licensing, property, general, administrative and management costs, consulting and professional fees and all other fees, expenses and reserves necessary for the use, operation and Maintenance of the Project and the conduct of the business of the Participants as tenants-in-common. Notwithstanding the foregoing, Operating Expenses shall not

include (1) certain variable operating expenses that, pursuant to the Operations Manual as in effect from time to time, are required to be paid directly by each Participant rather than by the Project Management Company out of the Project Account (*e.g.* emissions allowances associated with a Participant's scheduled Plant output), (2) Transmission Costs, (3) any PILOT Costs or real estate Taxes on the Project Site for which individual Participants are liable, (4) expenses of sales or transfers of Energy, Capacity or other Attributes of the Plant (including amounts payable under agreements relating thereto) except where such sales or transfers are arranged by the Energy Manager on behalf of and for the benefit of all Non-Defaulting Participants, (5) any Participant Financing, (6) costs and expenses of a Participant that are not related to the Project, or (7) other costs incurred by Participants except costs approved by a Double Majority Vote or included in the Budget.

"Operations Manual" means the manual setting forth the principles for the operation of the Plant, including unit commitment, scheduling and dispatch procedures, in effect on the date of the Participation Agreement and as subsequently modified by the Management Committee by Double Majority Vote from time to time.

"Ownership Interest" means the individual undivided interest of a Participant in the Project (whether as a tenant-in-common in the fee, a tenant-in-common in the leasehold estate created pursuant to the Chapter 100 Lease, and/or as a co-lessee of a tenant-in-common interest in the leasehold estate created pursuant to the Chapter 100 Lease), as it may change from time to time in accordance with the Participation Agreement. An Ownership Interest includes all of the rights of a Participant in and to the Project, including all of its rights under the Participation Agreement, any Project Management Agreement, any Project Agreement, and any guarantee under which it is a beneficiary.

"Participant" and **"Participants"** when used in the Participation Agreement have the meaning specified in the Participation Agreement, and when used in the Project Management Agreement, have the respective meanings specified in the Project Management Agreement and shall include any Person who is a Transferee of all or part of the Ownership Interest and becomes a party to the Participation Agreement.

"Participant Lenders" means any Person that is not an Affiliate of a Participant that makes Participant Financing available to a Participant. Participant Lenders include lenders, credit facility providers, trustees, agents, collateral agents, and other financial institutions providing Participant Financing, and their agents and assigns.

"Parties" means the Project Management Company and the Participants and **"Party"** means any one of them.

"Payment Default" has the meaning specified in the Participation Agreement.

"Percentage" means each Participant's percentage, based on its Ownership Interest in the Project, as set forth in the Participation Agreement, as adjusted from time to time in accordance with the Participation Agreement.

"Permitted Encumbrances" has the meaning specified in the Participation Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, limited liability company, unincorporated organization, Governmental Authority or any other form of entity.

"Plant" means the Dogwood Generating Facility, a natural gas-fired, electric generating facility located in Cass County, Missouri.

"Project Account" has the meaning specified in the Participation Agreement.

"Project Agreement(s)" means the Project Management Agreement and any other agreement between the Participants or for the benefit of all of the Participants (whether entered into by all of the Participants or on behalf of the Participants by the Project Management Company, pursuant to the terms of the Participation Agreement or the Project Management Agreement) with any Person entered into in connection with the operation or Maintenance of all or any portion of the Project and includes the following agreements:

- (a) Interconnection Agreement and any other agreement entered into with the SPP RTO to provide for the transmission of Energy from the Plant to the Delivery Point;
- (b) Water Purchase Agreement;
- (c) Energy Management Agreement;
- (d) Plant O&M Agreement;
- (e) Program Management Services Agreement;
- (f) Meter Agent Services Agreement;
- (g) All agreements for Fuel interconnection and transportation, and Fuel supply procured by the Energy Manager on behalf of the Participants pursuant to the Energy Management Agreement; and
- (h) Management Agreements, if any.

“Project Management Agreement” means the Project Management Agreement between Dogwood Power Management, LLC and the Participants, providing for asset management services with respect to the Project, until such time it has been terminated in accordance with its terms and thereafter the agreement, if any, in effect from time to time between the Participants and a replacement Project Management Company providing for asset management services with respect to the Project.

“Project Management Company” has the meaning specified in the Project Management Agreement.

“Project Site” means the real property on which the Plant is located together with all rights of way, licenses, leases, and other interests in such real property acquired by the Participants in connection with the Project, as such holdings may change from time to time.

“Prudent Industry Standards” means those practices, methods, equipment, specifications and standards of safety and performance, as the same may change from time to time, as are commonly used by operators of utility electric generation stations of a type and size similar to those constituting the Plant as good, safe, and prudent engineering practices in connection with the operation, maintenance, repair, and use of boilers, turbines, generators, and other equipment and facilities with commensurate standards of safety, performance, dependability, efficiency, and economy. Prudent Industry Standards are not intended to be limited to the optimum practice or method to the exclusion of others, but rather to be a spectrum of possible but reasonable practices and methods.

“Representative” has the meaning specified in the Participation Agreement.

“Scheduled Energy” has the meaning specified in the Participation Agreement.

“Specified Technical Dispute” with respect to the Participation Agreement, means any Dispute of a technical nature which is to be determined by a technical expert in accordance with the Participation Agreement, and with respect to the Project Management Agreement, means any Dispute of a substantially technical nature which shall be determined in accordance with the Project Management Agreement.

“Terminated Ownership Interest” has the meaning specified in the Participation Agreement.

“Third Party” means any Person who is not a Participant under the Participation Agreement or a Party to the Project Management Agreement.

“Variable Operating Expenses” means, without duplication, all Operating Expenses that are incurred on a per-start basis or that increase or decrease in a direct relation to (a) the amount of Energy generated, such as charges for water, water treatment and reactant or (b) the amount of Fuel combusted to generate such Energy, together with

any other Operating Expenses that so fluctuate and are designated from time to time as Variable Operating Expenses by the Management Committee in order to equitably allocate the Operating Expenses among the Participants.

EVENTS OF DEFAULT.

Default

The occurrence of any of the following shall be a “Default” in respect of the applicable Participant:

(a) The failure by a Participant to pay, when due, any payment required under the Participation Agreement if such failure is not remedied within twenty (20) days after written notice of such failure is given to such Participant by a Non-Defaulting Participant or by the Project Management Company under the Project Management Agreement (“Payment Default”);

(b) The failure by a Participant to keep, observe or perform any of the other material terms, covenants or agreements contained in the Participation Agreement on such Participant’s part to be kept, performed or observed (other than as referred to in clause (a) of this section), if such failure is not remedied within thirty (30) days after notice from any Non-Defaulting Participant, provided, however, that if the nature of a default under any provision of the Participation Agreement other than certain provisions of the Participation Agreement, is not susceptible to cure within such thirty (30) day period, the failure by the Defaulting Participant shall not be in Default so long as it prosecutes diligently the cure of such default to completion within such additional period as may be reasonably required, not to exceed one hundred-twenty (120) days after receipt of notice of default; or

(c) An Insolvency Event shall exist with respect to a Participant.

Notices

Each notice required to be delivered pursuant to the Participation Agreement shall also be given to (i) the Project Management Company, if it is not the Person providing the notice, and (ii) the Participant Lenders, if any, of the non-performing Participant of which the Person giving the notice has actual knowledge. It is the responsibility of each Participant to (a) advise the Management Committee, the Project Management Company, and the other Participants of its Participant Lenders entitled to notice and their respective contact information and (b) keep such information current.

REMEDIES; TERMINATION.

Loss of Scheduling Rights

Any Participant that is in Payment Default shall lose its scheduling privileges under the Participation Agreement and the Operations Manual, and except as provided by the Participation Agreement shall have no entitlement to any share of net revenues derived from sales by the Energy Manager of output from the Plant until it has paid all amounts that are in arrears, with applicable interest.

All Remedies

In the event any Participant is in Default under the Participation Agreement (the “Defaulting Participant”), any Participants not then in Default (the “Non-Defaulting Participants”) shall have available to them all remedies not expressly foreclosed under the Participation Agreement, legal and

equitable, including (i) those available in order to enforce payment of any such amount or performance or observance of any such covenant, condition, or agreement and (ii) the specific remedies set forth in the Participation Agreement. In addition, the Non-Defaulting Participants, acting through the Management Committee by a Majority Vote of the Non-Defaulting Participants, shall have the other rights and remedies available to them under the Participation Agreement.

Advances to Defaulting Participants

In addition to such other remedies as may be available at law or in equity, the Non-Defaulting Participants shall have the following specific remedies:

(a) In the event of a Payment Default, any of the Non-Defaulting Participants may, but shall not be required to, advance (the “Advance”) to the Project Account, all or part of the amount owed by the Defaulting Participant (the “Deficiency Amount”). A Deficiency Amount will accrue interest at the Agreed Rate from the day such Deficiency Amount is due until the date repaid by the Defaulting Participant. The Deficiency Amount shall be an obligation of the Defaulting Participant and the Advances by the other Participants shall not relieve the Defaulting Participant of its obligations with respect thereto. Any Non-Defaulting Participant providing an Advance (“Advancing Participant”) may enforce and recover from the Defaulting Participant the Deficiency Amount (including accrued interest) and upon such recovery the collecting Advancing Participant shall use the funds recovered (net of its costs incurred in collecting the funds) to reimburse itself and any other Participants that made an Advance (including the interest component thereof) in proportion to their respective Advances, and deposit any remaining balance in the Project Account.

(b) For so long as a Defaulting Participant’s scheduling privileges are suspended pursuant to the Participation Agreement, each Advancing Participant shall be entitled to schedule a share of the Capacity Share to which the Defaulting Participant would be otherwise entitled under the Participation Agreement, in proportion to each Advancing Participant’s Advances until the repayment in full of (i) the Deficiency Amount, (ii) any increased costs incurred by the Advancing Participants as a consequence of such Payment Default and (iii) interest thereon at the Agreed Rate. During this period each Advancing Participant shall pay all Fixed Operating Expenses and Variable Operating Expenses associated with the Capacity Share, Scheduled Energy, or other Attributes acquired through this section, and all such amounts other than the Variable Operating Expenses shall be treated as additional Advances.

(c) To the extent that the Defaulting Participant’s share of Net Energy is not fully scheduled by Advancing Participants under the Participation Agreement, the unscheduled Net Energy shall be sold by the Energy Manager if the purchase price is reasonably expected to exceed the associated Variable Operating Expense and transaction costs (including transmission). The proceeds of such sales (less any incremental costs incurred in making such sales) shall be deposited in the Project Account for application to the amounts owed by the Defaulting Participant, including the Deficiency Amount and the repayment of any Advances made by other Participants under this section.

Acquisition of Interest

In addition to the remedies provided for in the Participation Agreement, upon the occurrence of a Payment Default that is not cured within sixty (60) days after the Defaulting Participant has received written notice thereof, if the Management Committee, acting on a Double Majority Vote of the Non-Defaulting Participants, so approves, and subject to compliance with applicable regulatory requirements, the Non-Defaulting Participants may terminate the rights and obligations of the

Defaulting Participant with respect to all or part of the Ownership Interest of the Defaulting Participant, provided that one or more Third Parties approved by a Majority Vote of the Management Committee and/or Non-Defaulting Participants (each, an “Acquiring Person”) have elected to acquire such Ownership Interest of the Defaulting Participant (the “Terminated Ownership Interest”). If Non-Defaulting Participants collectively opt to acquire more than the Defaulting Participant’s full Ownership Interest, the acquisitions shall be made in proportion to the pre-acquisition Percentages of such electing Non-Defaulting Participants, and no sales to Third Parties shall be permitted. If the Management Committee acting on behalf of the Non-Defaulting Participants gives written notice to the Defaulting Participant of termination in accordance with this section, (i) upon the date of completion of (and to the extent of the acquisition undertaken in) each such transaction, the rights of the Defaulting Participant under the Participation Agreement with respect to the Terminated Ownership Interest shall terminate and the associated rights, title and interest in and to the Terminated Ownership Interest of the Defaulting Participant shall be transferred (free and clear of all liens, security interests, charges, claims and other Encumbrances) to the Acquiring Person, and (ii) from and after such date the Percentage of the Defaulting Participant shall be reduced to reflect the Transfer of the Terminated Ownership Interest, and, in accordance with the Participation Agreement, the Ownership Percentages set forth in the Participation Agreement shall be amended to reflect the decrease in the Defaulting Participant’s Percentage and the increased or new Percentage(s) of the Acquiring Person(s). The Defaulting Participant shall have no further rights under the Participation Agreement with respect to the Terminated Ownership Interest except to be paid the Default Purchase Price in accordance with this section. The affected Participants agree to promptly undertake any and all reasonable actions, including the execution, delivery and filing of appropriate instruments, to effect the transactions contemplated by this section.

In consideration of the Transfer of all of the Defaulting Participant’s right, title and interest in and to the Terminated Ownership Interest (free and clear of all Encumbrances) to the Acquiring Person(s), the Defaulting Participant shall be entitled to receive from the Acquiring Person(s) an amount established in accordance with this section (the “Default Purchase Price”). The netting of Advances from the Default Purchase Price and any discount from full Fair Market Value reflected in the Default Purchase Price as provided for in the Participation Agreement shall constitute (1) liquidated damages, not a penalty, to reflect the fact that actual damages resulting from the Default are difficult or impossible to calculate with reasonable certainty, and (2) if the Defaulting Participant’s entire Ownership Interest is acquired pursuant to this provision, full and complete settlement and release of all claims, causes of action, Liabilities, damages or expenses of the Non-Defaulting Participants, direct or indirect, known or unknown, that the Non-Defaulting Participants have or may have in the future against the Defaulting Participant arising out of such Default. The Default Purchase Price shall be either

(i) the amount set forth in an Offer submitted pursuant to the Participation Agreement or

(ii) the Fair Market Value (calculated as if any Advances outstanding in respect of Deficiency Amounts owed by the Defaulting Participant had actually been paid by the Defaulting Participant), determined in accordance with the Participation Agreement, less

(X) if the Defaulting Participant fails to remove all Encumbrances on the Terminated Ownership Interest, the amounts secured by Encumbrances thereon, and

(Y) an amount equal to fifteen percent (15%) of the determined Fair Market Value.

Any Non-Defaulting Participant that has made an Advance in respect of a Deficiency Amount that has not already been reimbursed may, (I) if it is an Acquiring Person, set-off the amount of such Advance

(plus accrued interest) against any portion of the Default Purchase Price payable by it, or (II) if it is not an Acquiring Person, require that such Advance (plus accrued interest) be paid in full from a portion of the Default Purchase Price payable by any Acquiring Person before any amount thereof is paid to the Defaulting Participant.

The Acquiring Persons shall, as a group, develop a proposed Default Purchase Price, which they shall convey in writing to the Defaulting Participant (the “Offer”). The Defaulting Participant, or the Defaulting Participant’s Lenders, if applicable, within thirty (30) days following receipt of such Offer, shall state in writing (the “Response”) whether or not it accepts such amount as the Default Purchase Price. If the Defaulting Participant and the Acquiring Persons are unable to agree on the Default Purchase Price within fifteen (15) days of receipt of the Response by the Acquiring Participants, then the Acquiring Persons and the Defaulting Participant shall proceed with determining the Fair Market Value as provided in the Participation Agreement.

The Acquiring Persons (as a group) and the Defaulting Participant each shall designate a qualified appraiser within fifteen (15) days from the expiration of the aforementioned fifteen (15) day period. A qualified appraiser shall be an appraiser with at least five (5) years’ experience in the appraisal of properties similar to the Project. Each of the two (2) appraisers shall be directed to determine the Fair Market Value component of the Default Purchase Price within thirty (30) days of his appointment and to notify the Acquiring Persons and the Defaulting Participant of his determination. If the lower of the two determinations is not less than ninety-five percent (95%) of the higher of the two determinations, then the Fair Market Value shall be the average of the two determinations. If the lower of the two determinations is less than ninety-five percent (95%) of the higher of the two determinations, then the two appraisers shall, within fifteen (15) days thereafter, appoint a third appraiser with similar qualifications (who shall not have performed any work for any Participant or third-party Acquiring Person within the five (5) year period prior to his appointment) and shall each furnish to such appraiser a written report of his respective determination. Within thirty (30) days of his appointment, the third appraiser shall select the Fair Market Value of one or the other of the original appraisers as being the determination which most closely equals what the third appraiser considers to be the actual Fair Market Value, and, such third appraiser shall notify the Acquiring Persons and the Defaulting Participant of his determination, which shall be binding upon them. The third appraiser shall select one of the two appraisals and shall not have the right to establish a different Fair Market Value determination. The Acquiring Persons (as a group) and the Defaulting Participant shall each bear the respective costs of their chosen appraisers, and they shall share equally the cost of the third appraiser.

Within twenty (20) Business Days of receiving the final determination of Fair Market Value as provided in the Participation Agreement, each Acquiring Person shall provide notice, to the Defaulting Participant and all other Acquiring Persons, whether it continues to desire to purchase a portion of the Ownership Interest of the Defaulting Participant. Each Acquiring Person that so elects to continue with the acquisition shall proceed expeditiously to complete all necessary arrangements to conclude the transaction, including executing the Joinder if the Acquiring Person is not already a Participant. Concurrent with the payment by each Acquiring Person of its respective share of the Default Purchase Price, the Defaulting Participant shall deliver such instruments of transfer of title and assignment as are reasonably requested by such Acquiring Person, provided, however, that no representations shall be required to be provided by the Defaulting Participant other than representations that the Defaulting Participant has the right, power and authority to convey the Ownership Interest. The provisions of this section shall survive termination of the Defaulting Participant’s rights under the Participation Agreement for such time period as is necessary to complete the procedures set forth in the Participation Agreement.

No Remedy Exclusive

Except as otherwise provided in the Participation Agreement, no remedy conferred upon or reserved to the Participants in the Participation Agreement is intended to be exclusive of any other remedy or remedies available under the Participation Agreement or now or hereafter existing at law, in equity, or by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy. The pursuit by any Participant of any specific remedy shall not be deemed to be an election of that remedy to the exclusion of any other or others, whether provided under the Participation Agreement or by law, equity, or statute

INTEREST ON OVERDUE OBLIGATIONS; INJUNCTIVE RELIEF AND APPOINTMENT OF RECEIVER

Interest on Overdue Obligations and Post-Judgment Interest

Except as expressly provided in the Participation Agreement, if any sum due under the Participation Agreement is not paid by the due date thereof, the Participant owing such obligation shall pay interest thereon at the Agreed Rate concurrently with the payment of the amount, such interest to begin to accrue as of the due date of such payment. Such interest shall be paid to one or more individual Participant(s) if the overdue sum was owed directly to such Participant(s). Interest on overdue payments that are to be made to the Project Account shall be paid into the Project Account, but shall be accounted for separately for the sole benefit of the other Participants. Any payment of interest at the Agreed Rate pursuant to the Participation Agreement shall not excuse or cure any Default under the Participation Agreement. All payments shall first be applied to the payment of accrued but unpaid interest. The amount of any judgment obtained by one or more Participants against another Participant in any Action or Proceeding arising out of a Default by such other Participant under the Participation Agreement shall bear interest until paid at the Agreed Rate.

Injunctive Relief and Specific Performance

The Participants agree and acknowledge that occurrence of a Default under the Participation Agreement (other than a Payment Default) would cause irreparable injury to the other Participants and that the remedy at law for any violation or threatened violation thereof would be inadequate, and further agree that any other Participant shall be entitled to a temporary or permanent injunction, specific performance or other equitable relief specifically to enforce such obligation without the necessity of proving the inadequacy of its legal remedies.

Appointment of a Receiver

If a Default occurs and continues for a period of one hundred eighty (180) days, then the Management Committee, acting upon a Majority Vote of the Non-Defaulting Participants, may have a receiver appointed by a state or federal court, to take control of and exercise the rights of the Defaulting Participant in respect of its Ownership Interest and perform the obligations of the Defaulting Participant in accordance with the terms of the Participation Agreement.

No Waivers

No failure or delay of any Participant or the Management Committee, in any one or more instances, (a) in exercising any power, right or remedy under the Participation Agreement or (b) in insisting upon the strict performance by a Participant of such Participant's covenants, obligations or agreements under the Participation Agreement, shall operate as a waiver, discharge or invalidation thereof, nor shall any single or partial exercise of any such right, power or remedy or insistence on strict performance, or any abandonment

or discontinuance of steps to enforce such a right, power or remedy or to enforce strict performance, preclude any other or future exercise thereof or insistence thereupon or the exercise of any other right, power or remedy.

Effect of Termination

If the Ownership Interest of a Defaulting Participant is terminated in its entirety pursuant to the terms and conditions of the Participation Agreement, the Ownership Interest of the terminated Defaulting Participant shall, on the date of such termination, terminate with respect to all future rights and obligations of performance under the Participation Agreement (except for the rights and obligations in the Participation Agreement that expressly are to survive termination thereof). Termination shall not alter the then-existing claims, if any, of other Participants against a Defaulting Participant for breaches of the Participation Agreement occurring prior to the Termination Date and the obligations of the Participants under the Participation Agreement shall survive termination.

Dispute Resolution

In the event any dispute, controversy or claim between or among the Participants arises under the Participation Agreement or is connected with or related in any way to the Participation Agreement or any right, duty or obligation arising under the Participation Agreement (a “Dispute”), including a Dispute relating to the effectiveness, validity, interpretation, implementation, termination, cancellation or enforcement of the Participation Agreement, the Participants shall first attempt in good faith to resolve such Dispute by mutual agreement in accordance with the terms of the Participation Agreement. In the event a Dispute arises, any affected Participant may notify the other Participants of the Dispute and that it has elected to implement the procedures set forth in the Participation Agreement. Within fifteen (15) days after delivery of any such notice, a representative of each Participant shall meet at a mutually agreed time and place to attempt, with diligence and good faith, to resolve such Dispute. Should a resolution not be obtained at such meeting or should no such meeting take place within such fifteen (15) day period, then any Participant may, by notice to the other Participants, refer the Dispute to senior management of the Participants for resolution. Within fifteen (15) days after delivery of any such notice by a Participant to the other Participants referring such Dispute to senior management of the Participants for resolution, representatives of senior management of each of the Participants shall meet at a mutually agreed upon time and place to attempt, with diligence and good faith, to resolve such Dispute. Should resolution not be obtained at the senior management meeting or should no such meeting take place within such fifteen (15) day period (unless extended by mutual agreement), then any Participant may commence an arbitration proceeding as set forth in the Participation Agreement; provided, however, that any Specified Technical Dispute may be resolved pursuant to the Participation Agreement.

APPENDIX F

**ACTUARIAL REPORT OF
GRS RETIREMENT CONSULTING**

APPENDIX G
ACTUARIAL REPORT OF
LEWIS & ELLIS INC.

APPENDIX H

FORM OF OPINION OF BOND COUNSEL

Missouri Development Finance Board
Jefferson City, Missouri

Morgan Stanley & Co. LLC
New York, New York

City of Independence, Missouri
Independence, Missouri

UMB Bank, N.A., as Trustee
Kansas City, Missouri

Re: \$_____ Missouri Development Finance Board Infrastructure Facilities
Refunding Revenue Bonds (City of Independence, Missouri, Annual Appropriation
Electric System Revenue Bonds), Series 2022

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Missouri Development Finance Board (the “Board”), of the above-referenced Bonds (the “Bonds”). The Bonds have been authorized and issued under and pursuant to Sections 100.250 to 100.297, inclusive, of the Revised Statutes of Missouri, as amended (the “Act”), and a Bond Trust Indenture, dated as of May 1, 2022 (the “Indenture”), between the Board and UMB Bank, N.A., as trustee (the “Trustee”). Capitalized terms not otherwise defined herein shall have the meanings assigned in the Indenture.

The proceeds of the Bonds will be used by the Board to make a loan to the City of Independence, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the “City”), pursuant to a Financing Agreement dated as of May 1, 2022 (the “Financing Agreement”) between the Board and the City.

Reference is made to an opinion of even date herewith of the City Counselor of the City, with respect to, among other matters, (a) the power of the City to enter into and perform its obligations under the Financing Agreement and the Tax Compliance Agreement, (b) the passage and effectiveness of the Authorizing Ordinance; and (c) the due authorization, execution and delivery of the Financing Agreement and the Tax Compliance Agreement by the City and the binding effect and enforceability thereof against the City.

In our capacity as Bond Counsel, we have examined a certified transcript of proceedings relating to the authorization and issuance of Bonds, which transcript includes, among other documents and proceedings, the following:

- (i) the Indenture;
- (ii) the Financing Agreement; and
- (ii) the Tax Compliance Agreement.

We have also examined the Constitution and statutes of the State of Missouri, insofar as the same relate to the authorization and issuance of the Bonds and the authorization, execution and delivery of the Indenture, the Financing Agreement and the Tax Compliance Agreement.

Based upon such examination, we are of the opinion as of the date hereof, as follows:

1. The Board is a duly organized and validly existing body corporate and politic of the State of Missouri and has full power and authority to enter into, execute, deliver and perform the obligations under the Indenture, the Financing Agreement and the Tax Compliance Agreement and to issue and sell the Bonds.

2. The Bonds are in proper form and have been duly authorized and issued in accordance with the Constitution and statutes of the State of Missouri, including the Act.

3. The issuance of the Bonds has been duly authorized by the Board. The Bonds are valid and legally binding limited obligations of the Board according to the terms thereof, payable as to principal and interest solely from, and secured by a valid and enforceable pledge and assignment of the Trust Estate, all in the manner provided in the Indenture. The Bonds do not constitute a debt of the State of Missouri or any other political subdivision thereof and do not constitute and indebtedness within the meaning of any constitutional, statutory or charter debt limitation or restriction and are not payable in any manner by taxation. The Board has no taxing power.

4. The Indenture, the Financing Agreement and the Tax Compliance Agreement have been duly authorized, executed and delivered by the Board and are valid and legally binding agreements of the Board, enforceable in accordance with the respective provisions thereof.

5. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the Board and the City comply with all 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, excludable from gross income for federal income tax purposes. The Board and the City have covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, the Tax Compliance Agreement and the Financing Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter created and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion regarding the accuracy, completeness or sufficiency of any offering material relating to the Bonds, except as otherwise expressly stated. Further, we express no opinion regarding the tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

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

Very truly yours

APPENDIX I

FORM OF CONTINUING DISCLOSURE UNDERTAKING