

**INSTRUCTIONS FOR PREPARATION OF CT-0253
REPORT ON DEBT OBLIGATION
DO NOT ADD TO, DELETE FROM OR CHANGE THIS FORMAT**

1. Issuer Include the full name and address of the public entity. (**This is NOT the bank or lending institution.**)

2. Debt Obligation Identify the type of debt obligations being issued either as a bond, note [capital outlay (CON), bond anticipation (BAN), grant anticipation (GAN), tax and revenue anticipation (TRAN), or capital revenue anticipation (CRAN)], capital lease or loan agreement. Note: For all notes, attach a copy of the executed Note Form. Form CT-0253 must be filed for any loan from the State Revolving Fund, a Public Building Authority, the Energy Efficient Schools Initiative or the Tennessee Local Development Authority. A line of credit is a CON. A lease/lease purchase includes Certificates of Participation.

3. Security for Debt Obligation Indicate the security for the debt obligation. Annual appropriations are applicable ONLY to lease/lease purchase obligations.

4. Purpose of Issue Indicate the purpose(s) of the debt issue. If the debt is issued for multiple purposes, provide the percentage of the amount of debt issued in each category. If final percentages have not been determined for multiple purposes, use reasonable estimates.

5. Face Amount of Debt Obligation Indicate the face or par amount of debt issued. When debt is issued in multiple series of bonds, a separate Form CT-0253 should be completed for each series (i.e. 2012 Series A, 2012 Series B).

6. Type of Sale Indicate whether the debt was sold through a competitive sale, negotiated sale or through an agreement under a loan program. If the debt is a loan agreement, specify the name of the loan program, i.e. State Revolving Fund, Tennessee Local Development Authority, Public Building Authority, Energy Efficient Schools Initiative.

7. Tax Status Indicate whether the interest on the debt is intended to be exempt from federal income taxation. If the debt is both taxable and tax-exempt, a separate Form CT-0253 must be completed for each.

8. Dated Date Indicate the date of the debt obligation which is the date that interest begins to accrue on the obligation.

9. Issue Date (Closing Date) Indicate the date that proceeds of the debt obligation are received by the Public Entity.

10. Rating Specify the rating(s) the debt obligation has been assigned, or indicate that the debt is unrated.

11. Interest Cost Indicate the interest rate percentage and method used to determine the rate. If the rate is the variable, indicate the first assigned rate specifying the index plus spread. TIC is True Interest Cost. NIC is Net Interest Cost.

12. Recurring Costs List the ongoing or recurring costs involved in connection with remarketing, liquidity, and credit enhancement, specifying any periodic fees and charges that may be incurred on a per transaction basis. If the periodic fees are not based on the outstanding principal balance of debt, please specify how the fees are calculated.
13. Maturity Indicate the year that principal is paid, the principal amount maturing in each year and the interest rate for each maturity. Provide the weighted average maturity for the debt.
14. Debt Repayment Schedule Indicate the cumulative par amount of both this issue and total debt outstanding for this security pledge that will mature in each of the identified years. Use additional lines if necessary.
15. Itemized Description of the Cost of Issuance Indicate all costs incurred in the initial issuance of the debt, rounded to the nearest dollar. Do not include related costs that may recur on a periodic basis while the debt is outstanding. Amounts reported should include professional fees and any expenses, such as long distance calls or printing costs. If the financial advisor fee includes any other costs such as legal, printing, or rating fees, these costs should be itemized separately. Item (i) is only applicable to a negotiated sale where such costs are incurred. Legal fees not identified separately on the form should be listed in the blank spaces under legal fees. If there are costs that are not identified by categories shown on the form, indicate these in the “other costs” category. If more than one debt issuance is involved, show a pro-rata share of the issue costs on each Form CT-0253. A copy of the final disclosure statement or official statement, if developed, must be included with Form CT-0253.

For Parts 16, 17 and 18, attach additional pages as necessary.

16. Description of Continuing Disclosure Obligations Briefly describe any continuing disclosure obligations the Public Entity has agreed to make and the documentation of the obligations. Identify the individual responsible for making the disclosures. Indicate the date the annual disclosure is due.
17. Description of Compliance with Written Debt Management and, if Policy A copy of the current written Debt Management Policy must be included with Form CT-0253 unless it has previously been filed with the Office of State and Local Finance. Debt Policy revisions and amendments also need to be submitted to the Office of State and Local Finance. Indicate how the Debt Obligation Policy complies with the Policy, citing specific sections any, criteria or limitations included in Policy (such as refunding savings, debt ratios, or percentage of variable rate debt outstanding).
18. Description of Derivative and Compliance with Written Derivative Policy Derivative: If a Derivative is related to the Debt Obligation, include copies of the relevant Letter of Compliance and the current written Derivative Policy with Form CT-0253 unless it has previously been filed with the Office of State and Local Finance. Indicate how the Derivative complies with the Policy, citing specific sections and, if any, criteria or limitations included in the Policy.

19. Signatures of the Authorized Representative and Preparer The authorized representative is the chief executive officer of the public entity, i.e. County Executive, Mayor, President, Chairman, etc. If Form CT-0253 is prepared by someone other than the authorized representative, indicate in the space provided. However, the authorized representative must still sign the form.
20. Filing The Form CT-0253 must be filed with the governing body not later than forty-five (45) days following the issuance or execution of a debt obligation by or on behalf of any Public Entity and with the Director of the Office of State and Local Finance. Public Entities that fail to comply with the requirements of TCA Section 9-21-151 will not be allowed to enter into any further Debt Obligations or Derivatives until they have complied with the law.

DEFINITIONS

“Chief Executive Officer” means County Executive, Mayor, President, or Chairman

“Debt obligation” means bonds, notes, capital leases, loan agreements, and any other evidence of indebtedness lawfully issued, executed or assumed by a Public Entity.

“Derivative” means an interest rate agreement, as defined in TCA § 9-22-103 and other transactions identified by the State Funding Board.

“Finance transaction” means debt obligations, derivatives, or both.

“Public entity” means the state, a state agency, a local government, a local government instrumentality, or any other authority, board, district, instrumentality, or entity created by the state, a state agency, local government, a local government instrumentality, or combination, thereof.

INCORRECT OR INCOMPLETE FORMS WILL BE RETURNED!!!

REPORT ON DEBT OBLIGATION
(Pursuant to Tennessee Code Annotated Section 9-21-151)

1. Public Entity:

Name State of Tennessee
 Address 505 Deaderick Stree, Suite 1600
James K Polk State Office Building
Nashville, TN 37243

2. Debt Obligation:

- a. Bond
- b. CON
- c. BAN
- d. GAN
- e. TRAN
- f. CRAN
- g. Capital Lease
- h. Loan Agreement

Note: Enclose a copy of the executed NOTE FORM if applicable.

5. Face Amount of Debt Obligation: \$449,070,000.00

~~Premium~~ Discount: \$91,450,770.60

6. Type of Sale:

- a. Competitive Public Sale
- b. Informal Bid
- c. Negotiated Sale
- d. Loan Program

3. Security For Debt Obligation:

- a. General Obligation
- b. General Obligation+Revenue+Tax
- c. Revenue
- d. TIF
- e. Annual Appropriations

7. Tax Status:

- a. Tax Exempt
- b. Tax Exempt - Bank Qualified
- c. Taxable

8. Dated Date: 03/15/2012

9. Issue Date (Closing Date): 03/15/2012

4. Purpose of Issue:

- | | | |
|-------------------------------------|-----------------------------|----------|
| <input type="checkbox"/> | a. General Government | _____ % |
| <input type="checkbox"/> | b. Education | _____ % |
| <input type="checkbox"/> | c. Highways and Streets | _____ % |
| <input type="checkbox"/> | d. Public Safety | _____ % |
| <input type="checkbox"/> | e. Solid Waste Disposal | _____ % |
| <input type="checkbox"/> | f. Industrial Park | _____ % |
| <input type="checkbox"/> | g. Manufacturing Facilities | _____ % |
| <input type="checkbox"/> | h. Health Facilities | _____ % |
| <input type="checkbox"/> | i. Airports | _____ % |
| <input type="checkbox"/> | j. Utilities | _____ % |
| <input type="checkbox"/> | i. Water | _____ % |
| <input type="checkbox"/> | ii. Sewer | _____ % |
| <input type="checkbox"/> | iii. Electric | _____ % |
| <input type="checkbox"/> | iv. Gas | _____ % |
| <input checked="" type="checkbox"/> | k. Refunding or Renewal | 100.00 % |
| <input type="checkbox"/> | l. Other _____ | _____ % |
- specify

10. Ratings:

- | | |
|----------------------|------------|
| a. Moody's | <u>Aaa</u> |
| b. Standard & Poor's | <u>AA+</u> |
| c. Fitch | <u>AAA</u> |
| d. Unrated | _____ |

11. Interest Cost:

1.942173 % a. TIC
 b. NIC
 c. Variable: Index _____ plus _____ bps
 d. Other _____

12. Recurring Costs:

- | | |
|------------------------------|------------|
| a. Remarketing Agent (bps) | <u>N/A</u> |
| b. Liquidity (bps) | <u>N/A</u> |
| c. Credit Enhancements (bps) | <u>N/A</u> |

13. Maturity Dates, Amounts and Interest Rates

Year	Amount	Interest Rate	Year	Amount	Interest Rate
2015	\$5,085,000	3.00 %	2026	\$26,045,000	2.50 %
2016	\$12,170,000	4.00 %	2027	\$7,155,000	5.00 %
2017	\$32,885,000	4.00 %			%
2018	\$44,890,000	5.00 %			%
2019	\$45,130,000	5.00 %			%
2020	\$45,370,000	5.00 %			%
2021	\$45,605,000	5.00 %			%
2022	\$45,845,000	5.00 %			%
2023	\$52,565,000	3.50 %			%
2024	\$52,150,000	4.00 %			%
2025	\$34,170,000	4.00 %			%

If additional space is needed, attach additional sheet.

14. Repayment Schedule

Year	This Issue			Total Debt Outstanding	
	Cum. Principal Redeemed	% Total		Cum. Principal Redeemed	% Total
1	\$5,085,000	1.13		\$70,265,000	3.40
5	\$140,165,000	31.21		\$664,680,000	32.19
10	\$381,700,000	85.00		\$1,255,810,000	60.82
15	\$449,070,000	100.00		\$2,041,700,000	98.88
20				\$2,064,915,000	100.00
25					
30					

15. Itemized Description of the Cost of Issuance

(Round to Nearest Dollar)

		Name of Firm
a. Financial Advisor Fees*	\$175,000.00	Public Financial Mangement
b. Legal Fees:		
i. Bond Counsel	\$125,000.00	Hawkins, Delafield, & Wood, LLP
ii. Issuer's Counsel		
iii. Trustee's Counsel		
c. Paying Agent Fees and Registration Fees		
d. Trustee Fees	\$2,000.00	Regions Bank (escrow agent)
e. Remarking Agent Fees		
f. Liquidity Fees		
g. Rating Agency Fees	\$224,000.00	S&P, Moodys, Fitch
h. Credit Enhancement Fees		
i. Underwriter's Discount _____%		
i. Take Down	\$503,553.00	J.P. Morgan
ii. Management Fee		
iii. Risk Premium		
iv. Underwriter's Counsel	\$30,000.00	Bass Berry & Sims, PLC
v. Other Expenses	\$52,891.00	
j. Printing and Advertising Fees	\$1,880.00	i-Deal, Gen Servicess print shop
k. Issuer Fees	\$2,750.00	Robert Thomas CPA
l. Real Estate Fees		(verification agent)
m. Bank Closing Costs		
n. Other Costs	\$60,000.00	PFM Asset Mgt(escrow structure)
Total Costs	\$1,177,074.00	

*If other costs are included, please itemize

Note: Enclose a copy of the DISCLOSURE DOCUMENT/ OFFICIAL STATEMENT if applicable.

16. Description of Continuing Disclosure Obligations

(Use additional pages if necessary)

Individual Responsible for Completion: Cindy Liddell, GO Bond Accountant
 Date Annual Disclosure is due: 01/31/13

The State will provide annual financial information with respect to each fiscal year commencing with FYE 6/30/12, by no later than 7 months after the end of the respective FY. If a "notice event" occurs, the State shall provide, in a timely manner not in excess of 10 business days after the occurrence of such Notice Event, a Notice Event Notice to the MSRB. Any notice of defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption. Regions Bank (escrow agent) posted and mailed a "Notice of Refunding and Financial Defeasance" to the bond holders of the bond being refunded.

17. Description of Compliance with Written Debt Management Policy:

(Use additional pages if necessary)

See attached pages

18. (If any) Description of Derivative and Compliance with Written Derivative Management Policy:

(Use additional pages if necessary)

The State does not enter into derivatives

19.

Mary-Margaret Collier

Authorized Representative
Director, Office of State and Local Finance

Title
04/03/2012

Date
mary.margaret.collier@cot.tn.gov
Email

Cindy Liddell

Preparer
Bond Accountant

Title
Comptroller of the Treasury

Firm
03/05/2012
Date
cindy.liddell@cot.tn.gov
Email

20.

Submitted to Governing Body on 04/03/2012 and presented at its public meeting held on 04/03/2012

COPY TO: Director - Office of State and Local Finance, 505 Deaderick Street, Suite 1600,
James K. Polk State Office Building, Nashville TN 37243-1402

- The purpose of this debt issuance was to refinance outstanding general obligation bonds. (Debt Management/General A.6.)
- The bonds were issued as tax-exempt debt. (Debt Management/General C.1.)
- The bonds were issued as fixed interest rate bonds. (Types of Debt A.1.)
- The Board staff with assistance from the Financial Advisor analyzed outstanding bond issues for refunding opportunities. This refunding results in aggregate present value savings of 7.5%, which is more than the 4% savings required by the debt management policy. (Refinancing Outstanding Debt A.1.)
- The Board received a certification from the Financial Advisor to the Board determining that the refunding bonds accomplished cost savings to the public. (Refinancing Outstanding Debt)
- The bonds were refunded within the term of the originally issued debt. (Refinancing Outstanding Debt B.)
- The escrow was structured with permitted securities, competitive bids were taken on the portfolio of securities and were awarded to the lowest cost provider, and no securities were purchased from the underwriter, agent or financial advisor. (Refinancing Outstanding Debt D)
- The bonds were structured to create proportional debt service savings. (Refinancing Outstanding Debt C)
- The bonds were sold through a negotiated sale process with the underwriter (J.P. Morgan) being chosen based on a RFP process and refunding analysis provided by the firm. (Methods of Sale - B.; Selection of Underwriting Team)
- The underwriter provided pricing information both as to interest rates and to takedown per maturity to the Board in advance of the pricing of the bonds. (Selection of Underwriting Team)
- The Senior Underwriter (J.P. Morgan) was selected based on their previous experience on the 2011 Series C bonds issued by the State, financing ideas that were presented. They were the low cost provider based on cost proposals submitted. (Selection of Underwriting Team – A)
- The Co-Managers (Morgan Keegan, Citigroup, Goldman Sachs & Co, Piper Jaffray, and Wells Fargo Securities) were selected based on their experience selling Tennessee bonds and their knowledge and experience with the Board. (Selection of Underwriting Team – B)

- The Selling Group members (Harveston Securities, Avondale Partners, Raymond James, Stephens Inc. and Duncan Williams) all had public finance departments or pricing desks located within Tennessee (Selection of Underwriting Team – C)
- J.P. Morgan appointed Bass, Berry & Sims as the Underwriter’s Counsel. (Selection of Underwriting Team – D)
- All Underwriters’ Discount fees were determined prior to the sale. (Selection of Underwriting Team – E)
- The staff evaluated and will review with the Board on April 3, 2012 (the next State Funding Board meeting) the costs of issuance, including the underwriter’s compensation, pricing of the bonds in terms of overall interest cost and the distribution of the bonds. (Selection of Underwriting Team – F)
- The Board applied for ratings from all three Statistical Rating Organization (SRO) before issuing the bonds. The Office of State and Local Finance scheduled calls and provided all necessary information requested by each SRO. (Credit Quality)
- The Office of State and Local Finance assessed all risks before issuing the bonds; however special attention was paid to interest rate risk because this was a Refunding Bond issue. (Risk Assessment)
- The Board provided public notice of the Board meeting and specified on its agenda that the Board would be approving matters related to the issuance of bonds. (Transparency)
- The debt service schedule, as part of the Official Statement, was posted on the Board’s website, costs related to the bonds and other information was prepared and presented at the State Funding Board meeting on April 3, 2012, and disclosure of costs was also submitted to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (EMMA) website. (Transparency – A., B. & C.)
- All professionals engaged to assist in the process of issuing bonds have clearly disclosed all compensation and consideration received related to services provided in the bond issuance process. (Professional Services)
- Professionals involved in this transaction disclosed to the Board existing client and business relationships between and among the professionals to a transaction (including but not limited to financial advisor, bond counsel, escrow agent, underwriter, and counterparty), as well as conduit issuers, sponsoring organizations and program administrators and other issuers whom they may serve. (Potential Conflicts of Interest)

- The purpose, estimated amount of financing, proposed structure, proposed method of sale, members of the proposed financing team, and an estimate of costs were submitted to staff of the members of the Board prior to submitting the Bond Resolution for approval. (Debt Administration – A.1,2)
- The Bond Accountant with help from the financing team prepared a Preliminary Official Statement. (Debt Administration – A.3)
- The Director of State and Local Finance presented a report on the sale of the bonds at the Board meeting on April 3, 2012, describing the transaction and costs associated. (Debt Administration – B.1)
- A closing memorandum was prepared with instructions on transfer and flow of funds. (Debt Administration – B.2)
- An Official Statement was prepared for the transaction (Debt Administration – B.4)

- **Debt policy was submitted to the Office of State and Local Finance on September 8, 2011**