

## OFFICIAL STATEMENT

**\$713,365,000**  
**TENNESSEE STATE SCHOOL BOND AUTHORITY**  
**HIGHER EDUCATIONAL FACILITIES**  
**SECOND PROGRAM BONDS**  
**2021 SERIES A (FEDERALLY TAXABLE)**

**Dated: Date of Delivery****Due: November 1 (as shown on inside front cover)**

This Official Statement has been prepared by the Tennessee State School Bond Authority (the “Authority”) to provide information relating to the Authority’s Higher Educational Facilities Second Program Bonds, 2021 Series A (Federally Taxable) (the “Offered Bonds”). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Offered Bonds, a prospective investor should read the Official Statement in its entirety.

<b>Security</b>	The Offered Bonds are special obligations of the Authority payable solely from and secured by Annual Financing Charges (as defined herein) payable to the Authority by the Board of Trustees of The University of Tennessee and the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee, Legislative Appropriations (as defined herein) payable to the Authority and other funds as more fully described herein. The Authority has no taxing power. (See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein).
<b>Purpose</b>	See “PURPOSES OF THE OFFERED BONDS” herein.
<b>Interest Payment Dates</b>	May 1 and November 1, beginning November 1, 2021.
<b>Interest Rates/Prices/Yields</b>	See inside front cover.
<b>Denominations</b>	\$5,000 or integral multiples thereof.
<b>No Debt Service Reserve</b>	The Offered Bonds currently will not be secured by any funded debt service reserve. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Debt Service Reserve Fund” herein.
<b>Book-Entry Only System</b>	The Depository Trust Company. See Appendix F.
<b>Redemption</b>	See “DESCRIPTION OF THE OFFERED BONDS – Redemption” herein.
<b>Tax Exemption</b>	The Offered Bonds and the interest thereon are exempt from Tennessee taxes, subject to certain exceptions. See “TAX MATTERS” herein.
<b>Ratings</b>	See “RATINGS” herein.
<b>Trustee/Paying Agent</b>	Regions Bank, Nashville, Tennessee.

*The Offered Bonds are offered when, as and if issued and received by the Underwriters subject to certain conditions, including the approval of legality by Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Certain legal matters in connection with the Offered Bonds are subject to the approval of the Attorney General and Reporter of the State of Tennessee, as counsel to the Authority, and Bass, Berry & Sims PLC, as counsel to the Underwriters. The Offered Bonds are expected to be available through the facilities of The Depository Trust Company on or about February 24, 2021.*

**Jefferies**

FHN Financial Capital Markets

Morgan Stanley

Piper Sandler

Raymond James

Wells Fargo Securities

**Dated: February 9, 2021**

**TENNESSEE STATE SCHOOL BOND AUTHORITY**  
**Higher Educational Facilities Second Program Bonds**  
**Maturities, Amounts, Interest Rates, Yields, and CUSIP Numbers**

**\$713,365,000 2021 Series A (Federally Taxable)**

<b>Due Nov. 1</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>CUSIP<sup>†</sup> 880558</b>
2022	\$ 19,595,000	0.167%	0.167%	NR8
2023	23,430,000	0.217	0.217	NS6
2024	21,260,000	0.339	0.339	NT4
2025	21,370,000	0.627	0.627	NU1
2026	24,120,000	0.727	0.727	NV9
2027	22,950,000	1.026	1.026	NW7
2028	18,120,000	1.126	1.126	NX5
2029	56,175,000	1.362	1.362	NY3
2030	43,410,000	1.462	1.462	NZ0
2031	43,545,000	1.512	1.512	PA3
2032	42,780,000	1.662	1.662	PB1
2033	40,800,000	1.712	1.712	PC9
2034	38,335,000	1.812	1.812	PD7
2035	39,055,000	1.912	1.912	PE5
2036	35,700,000	1.962	1.962	PF2

\$156,765,000 2.561% Term Bonds due Nov. 1, 2041, Yield 2.561%, CUSIP<sup>†</sup> 880558PG0

\$65,955,000 2.661% Term Bonds due Nov. 1, 2045, Yield 2.661%, CUSIP<sup>†</sup> 880558PH8

<sup>†</sup>These CUSIP numbers have been assigned by CUSIP Global Services, which are managed by S&P Global Market Intelligence, a division of S&P Global Inc., and are included solely for the convenience of the Bondholders. The Authority is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Offered Bonds or as indicated herein.

## **TENNESSEE STATE SCHOOL BOND AUTHORITY**

Bill Lee, Governor, *Chairman*  
Jason E. Mumpower, Comptroller of the Treasury, *Secretary*  
Tre Hargett, Secretary of State  
David H. Lillard, Jr., State Treasurer  
Butch Eley, Commissioner of Finance and Administration  
Randy Boyd, President of the University of Tennessee  
Dr. Flora Tydings, Chancellor of the Tennessee Board of Regents

### **STAFF**

Sandra Thompson, Director, Division of State Government Finance, *Assistant Secretary*  
Sharon Schmucker, Manager, Division of State Government Finance  
Jacqueline Felland, Program Accountant, Division of State Government Finance  
Mark Graubner, Program Accountant, Division of State Government Finance

### **BOND COUNSEL TO AUTHORITY**

Hawkins Delafield & Wood LLP, New York, New York

### **AUTHORITY'S COUNSEL**

Attorney General and Reporter of the State of Tennessee, Nashville, Tennessee

### **FINANCIAL ADVISOR**

PFM Financial Advisors LLC, Memphis, Tennessee

This Official Statement does not constitute an offering of any security other than the Offered Bonds specifically offered hereby. No dealer, broker or other person has been authorized by the Authority to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, the Offered Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Certain information set forth herein has been provided by the Authority. Certain other information set forth herein has been obtained by the Authority from sources believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriters. The information and expressions of opinion 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 Authority since the date hereof. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. In making an investment decision, investors must rely on their own examination of the Authority and the terms of the offering, including the merits and risks involved.

The prices and other terms respecting the offering and sale of the Offered Bonds may be changed from time to time by the Underwriters after such Offered Bonds are released for sale, and the Offered Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Offered Bonds into investment accounts.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE OFFERED BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**NO REGISTRATION STATEMENT RELATING TO THE OFFERED BONDS HAS BEEN FILED WITH THE SECURITIES EXCHANGE COMMISSION (THE "SEC") OR ANY STATE SECURITIES AGENCY. THE OFFERED BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

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

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**HIGHER EDUCATIONAL FACILITIES**  
**SECOND PROGRAM BONDS**  
**2021 SERIES A (FEDERALLY TAXABLE)**

## INTRODUCTION

The purpose of this Official Statement (including the cover and inside cover pages hereof and the Appendices hereto) is to set forth information concerning (i) the Tennessee State School Bond Authority (the “Authority”), (ii) the Board of Trustees of The University of Tennessee (the “Board of Trustees”), (iii) the Tennessee Board of Regents of the State University and Community College System of the State of Tennessee (the “Board of Regents”), (iv) the Institutions (as defined below), and (v) the Authority’s \$713,365,000 aggregate principal amount of Higher Educational Facilities Second Program Bonds, 2021 Series A (Federally Taxable) (the “Offered Bonds”). The Board of Trustees and the Board of Regents are referred to collectively as the “Boards.” “Institutions” consist of (i) the University of Tennessee system, including all of its branches and divisions wherever located, and the services, programs and activities provided therein, and the Board of Trustees, in the aggregate, and (ii) the State University and Community College System, including all of its constituent institutions, wherever located (whether or not conferring degrees), and the services, programs and activities proved there in, and the Board of Regents, in the aggregate. For further information regarding the Boards and Institutions see “TENNESSEE PUBLIC HIGHER EDUCATION – General.”

The capitalization of any word not conventionally capitalized and not otherwise defined herein indicates that such word is defined in the Glossary of Certain Terms attached hereto as Appendix C, in the Resolution (as defined herein), or in the Financing Agreements (as defined herein).

The Offered Bonds will be issued pursuant to the Tennessee State School Bond Authority Act, as amended, Sections 49-3-1201 *et seq.*, Tennessee Code Annotated (the “Act”); the Higher Educational Facilities Second Program General Bond Resolution adopted by the Authority on April 27, 1998, as amended July 26, 2004, and May 9, 2013, authorizing the issuance thereunder from time to time of Higher Educational Facilities Second Program Bonds (the “Bonds”); and a Supplemental Resolution adopted by the Authority on January 25, 2021, authorizing and providing for the issuance of the Offered Bonds (such General Bond Resolution as amended and supplemented from time to time, including by such Supplemental Resolution, the “Resolution”). For a “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION”, see Appendix E.

The Act empowers the Authority, among other things, to issue its bonds and notes to obtain funds, or to refund its bonds or notes issued to obtain funds, to finance higher education facilities (as defined in Appendix C, the “Projects”) for the purposes of the Institutions and the Boards.

Proceeds of the Offered Bonds will be used to finance costs of the Project and advance refund certain outstanding Bonds and pay costs of issuance of the Offered Bonds as described in “PURPOSES OF THE OFFERED BONDS –Application of the Offered Bond Proceeds.”

The Offered Bonds will be payable and secured under the Resolution on a parity with all other Bonds heretofore and hereafter issued pursuant to the Act and the Resolution, except as described herein with respect to the Debt Service Reserve Fund or otherwise as permitted by the Resolution. Currently, the aggregate principal amount of Bonds which may be issued under the Resolution is not limited by law or the Resolution. As of December 31, 2020, \$1,668,835,000 (unaudited) aggregate principal amount of Bonds was outstanding, as adjusted to include the Offered Bonds and exclude the 2021A Refunded Bonds (as defined herein). In addition, as of December 31, 2020, the Authority had \$84,480,690 (unaudited) aggregate principal amount of the Revolving Credit Loans outstanding, which included \$7,125,683 not yet allocated to Institutions. See “THE AUTHORITY – Outstanding Indebtedness of the Authority.”

The Bonds, including the Offered Bonds, constitute special obligations of the Authority. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds shall be payable solely from and secured by the Annual Financing Charges, Legislative Appropriations and other moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.

The Authority and each Board have entered into a separate Second Program Financing Agreement dated as of November 1, 1997, as amended (each, a “Financing Agreement”). The Financing Agreements obligate the Authority to use its best efforts to finance Projects for the respective Boards under certain terms and conditions. Annual Financing Charges payable with respect to a Project (including debt service on the portion of the Bonds issued for that Project) are required under the Financing Agreements to be paid by the Boards, as and when the same become due, only from Fees and Charges collected by or on behalf of the Institution for which the project was financed and, if necessary, from Legislative Appropriations for the operation and maintenance of such Institution as described herein. See “SECURITY FOR THE PAYMENT OF THE BONDS – Annual Financing Charges; Fees and Charges” and “– Legislative Appropriations.” Under each Financing Agreement, the relevant Board covenants and agrees to establish and collect Fees and Charges at each Institution at a level sufficient to produce in each Fiscal Year no less than two times the amount required for the payment of the aggregate (without duplication) of (i) all Annual Financing Charges in such Fiscal Year payable with respect to all Projects for the Institution, plus (ii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges in such Fiscal Year with respect to the Institution.

The Offered Bonds are not currently secured by any debt service reserve and the Authority has no present intent to fund such a reserve at a later date. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Debt Service Reserve Fund.”

The Financing Agreements and the Resolution constitute the second and only presently available Authority loan program for the Boards.

For a summary of the provisions of the Financing Agreements, see Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS.” For a discussion regarding the security and sources of payment for the Offered Bonds, see “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

## PURPOSES OF THE OFFERED BONDS

### Plan of Refunding and Application of Offered Bond Proceeds

The Offered Bonds are being issued for the purposes of (i) financing costs of the Project identified below, (ii) providing funds necessary for the refunding of certain outstanding Bonds described and defined below and (iii) funding costs of issuance of the Offered Bonds.

<u>Institution</u>	<u>Project</u>	<u>Amount</u>
University of Tennessee, Health Science Center	A97 Memphis Bioworks Acquisition - Vivarium	\$ 14,450,000
<b>Total</b>		<u><u>\$ 14,450,000</u></u>

The Bonds (the “2021A Refunded Bonds”) to be refunded by the Offered Bonds consist of Bonds of the respective series and maturities and with respective redemption dates and prices as set forth in the following table.

<b>2021A Refunded Bonds</b>					
<u>Series</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2012A	5/1/2030 <sup>+</sup>	5.000%	\$ 7,885,000	5/1/2022	100.00%
	5/1/2031 <sup>+</sup>	5.000	8,285,000	5/1/2022	100.00%
	5/1/2032 <sup>+</sup>	5.000	8,705,000	5/1/2022	100.00%
	5/1/2037 <sup>+</sup>	3.750	40,455,000	5/1/2022	100.00%
	5/1/2039 <sup>+</sup>	5.000	18,610,000	5/1/2022	100.00%
	5/1/2042 <sup>+</sup>	4.000	<u>31,185,000</u>	5/1/2022	100.00%
			<u>\$ 115,125,000</u>		

<sup>+</sup>Denotes a Term Bond

2012C	5/1/2023 <sup>+</sup>	4.000%	\$ 8,100,000	5/1/2022	100.00%
	5/1/2024 <sup>+</sup>	4.000	8,435,000	5/1/2022	100.00%
	5/1/2025 <sup>+</sup>	4.000	6,540,000	5/1/2022	100.00%
	5/1/2026 <sup>+</sup>	4.000	6,810,000	5/1/2022	100.00%
	5/1/2027 <sup>+</sup>	4.000	1,635,000	5/1/2022	100.00%
	5/1/2028 <sup>+</sup>	4.000	1,690,000	5/1/2022	100.00%
	5/1/2029 <sup>+</sup>	4.000	1,750,000	5/1/2022	100.00%
	5/1/2030 <sup>+</sup>	4.000	1,810,000	5/1/2022	100.00%
	5/1/2031 <sup>+</sup>	4.000	1,875,000	5/1/2022	100.00%
	5/1/2032 <sup>+</sup>	4.000	1,155,000	5/1/2022	100.00%
	5/1/2033 <sup>+</sup>	4.000	1,200,000	5/1/2022	100.00%
	5/1/2034 <sup>+</sup>	4.000	<u>1,245,000</u>	5/1/2022	100.00%
			<u>\$ 42,245,000</u>		
2013A	11/1/2023	5.000%	\$ 3,885,000	11/1/2022	100.00%
	11/1/2024	5.000	4,085,000	11/1/2022	100.00%
	11/1/2025	5.000	4,295,000	11/1/2022	100.00%
	11/1/2029	5.000	5,245,000	11/1/2022	100.00%
	11/1/2030	5.000	5,515,000	11/1/2022	100.00%
	11/1/2031	5.000	5,795,000	11/1/2022	100.00%
	11/1/2032	5.000	6,095,000	11/1/2022	100.00%
	11/1/2033	5.000	6,405,000	11/1/2022	100.00%
	11/1/2038 <sup>+</sup>	5.000	25,045,000	11/1/2022	100.00%
	11/1/2043 <sup>+</sup>	5.000	<u>32,160,000</u>	11/1/2022	100.00%
			<u>\$ 98,525,000</u>		
2014A	11/1/2029	3.712%	\$ 5,730,000	11/1/2024	100.00%
	11/1/2034 <sup>+</sup>	4.007	11,865,000	11/1/2024	100.00%
	11/1/2044 <sup>+</sup>	4.207	<u>29,650,000</u>	11/1/2024	100.00%
			<u>\$ 47,245,000</u>		
2014B	11/1/2026	5.000%	\$ 12,580,000	11/1/2024	100.00%
	11/1/2027	5.000	11,805,000	11/1/2024	100.00%
	11/1/2028	5.000	7,200,000	11/1/2024	100.00%
	11/1/2029	5.000	4,985,000	11/1/2024	100.00%
	11/1/2030	5.000	5,250,000	11/1/2024	100.00%
	11/1/2031	5.000	5,720,000	11/1/2024	100.00%
	11/1/2032	5.000	6,030,000	11/1/2024	100.00%
	11/1/2033	5.000	6,090,000	11/1/2024	100.00%
	11/1/2034	5.000	4,325,000	11/1/2024	100.00%
	11/1/2035	5.000	4,550,000	11/1/2024	100.00%
	11/1/2036	5.000	3,795,000	11/1/2024	100.00%
	11/1/2037	5.000	<u>3,995,000</u>	11/1/2024	100.00%
			<u>\$ 76,325,000</u>		

<sup>+</sup>Denotes a Term Bond

2015B	11/1/2029	5.000%	\$ 22,150,000	11/1/2025	100.00%
	11/1/2030	5.000	13,200,000	11/1/2025	100.00%
	11/1/2031	5.000	13,885,000	11/1/2025	100.00%
	11/1/2032	5.000	14,610,000	11/1/2025	100.00%
	11/1/2033	5.000	12,625,000	11/1/2025	100.00%
	11/1/2034	5.000	15,225,000	11/1/2025	100.00%
	11/1/2035	5.000	16,010,000	11/1/2025	100.00%
	11/1/2040 <sup>†</sup>	5.000	61,945,000	11/1/2025	100.00%
	11/1/2045 <sup>†</sup>	5.000	56,500,000	11/1/2025	100.00%
			<u>\$ 226,150,000</u>		
	Total 2021A Refunded Bonds		<u>\$ 605,615,000</u>		

### Sources and Uses of Funds for the Offered Bonds

The sources and application of funds in connection with the issuance of the Offered Bonds are as follows:

	<u>Offered Bonds</u>
<b>Sources of Funds:</b>	
Par Amount of Bonds	\$ 713,365,000
<b>Total</b>	<b><u>\$ 713,365,000</u></b>
<b>Uses of Funds:</b>	
Deposits under Refunding Trust Agreement	\$ 697,860,176
Project Construction Account	14,450,000
Underwriters' Discount	473,131
Costs of Issuance	581,693
<b>Total</b>	<b><u>\$ 713,365,000</u></b>

### Refunding Trust Agreement and Verification

In conjunction with the delivery of the Offered Bonds, the Authority will enter into a Refunding Trust Agreement (the "Refunding Trust Agreement") with Regions Bank, Nashville, Tennessee, as Refunding Trustee. Under the Refunding Trust Agreement, proceeds of the Offered Bonds, and other available moneys, if any, will be irrevocably deposited with the Refunding Trustee into a refunding trust fund thereunder and either be initially retained as cash or invested in non-callable direct obligations of the United States of America or obligations of Agencies of the United States of America or obligations of United States government-sponsored enterprises that constitute Defeasance Obligations (referred to herein as the "Defeasance Securities"). The maturing principal of and interest on the Defeasance Securities and other moneys on deposit in such refunding trust fund, will be sufficient to pay (i) the interest on the 2021A Refunded Bonds, as applicable, on each interest payment date to and including the respective redemption date, and (ii) on the respective redemption date, the redemption price then due on the 2021A Refunded Bonds.

Upon issuance of the Offered Bonds, the 2021A Refunded Bonds will be irrevocably designated for redemption as described above, provision will be made in the Refunding Trust Agreement for the giving of notice of such redemption, and the 2021A Refunded Bonds shall not be redeemed other than as described above.

Under the Resolution, by virtue of the provision for redemption described above, together with the irrevocable deposit and application of monies and Defeasance Securities as provided by the Refunding Trust Agreement and certain other provisions of the Refunding Trust Agreement and after the issuance of the Offered Bonds, the 2021A Refunded Bonds will no longer be deemed to be outstanding under the Resolution.

<sup>†</sup>Denotes a Term Bond

The Authority will obtain verification of sufficiency of the refunding trust fund from Robert Thomas CPA, LLC. See "VERIFICATION AGENT."

## DESCRIPTION OF THE OFFERED BONDS

### General

The Offered Bonds will be dated the date of their delivery and will mature at the times and in the principal amounts as set forth on the inside cover page hereof. Interest on the Offered Bonds will be payable semi-annually on May 1 and November 1, commencing November 1, 2021. The Offered Bonds will be offered in authorized denominations of \$5,000 or integral multiples thereof.

Upon initial issuance, the Offered Bonds will be available only in book-entry form. The Depository Trust Company, New York, New York ("DTC") will act as initial securities depository for the Offered Bonds and the ownership of one fully registered bond for each maturity of the Offered Bonds in the aggregate principal amount of that maturity will be registered in the name of Cede & Co., as nominee of DTC, and deposited with DTC. Beneficial owners of Offered Bonds will not receive physical delivery of bond certificates except under limited circumstances. See Appendix F - "BOOK-ENTRY ONLY SYSTEM" for a description of DTC and its book-entry only system.

### Fiduciaries

Regions Bank, Nashville, Tennessee, is the Trustee under the Resolution and the Paying Agent and Registrar for the Offered Bonds.

### Redemption

*Optional Redemption – Offered Bonds.* Bonds maturing on or after November 1, 2032, are subject to redemption prior to their stated maturities from any available moneys, at any time on and after November 1, 2031, as a whole, or in part from time to time in any order of maturity determined by the Authority, at a Redemption Price equal to the principal amount of such Offered Bonds or portions thereof to be redeemed, together with the interest accrued on such principal amount to the date fixed for redemption.

Prior to November 1, 2031, the Offered Bonds are subject to redemption prior to their stated maturities at the option of the Authority, at any time as a whole, or in part from time to time in any order of maturity as determined by the Authority, at a Redemption Price equal to the Make-Whole Redemption Price (as defined below).

The "Make-Whole Redemption Price" of any Offered Bonds to be redeemed is an amount equal to the greater of (i) 100% of the principal amount of such Offered Bonds or (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Offered Bonds not including any portion of those payments of interest accrued and unpaid as of the date on which such Offered Bonds are to be redeemed, discounted on a semiannual basis to the date on which such Offered Bonds are to be redeemed, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below) plus the Applicable Spread (defined below), plus, in each case, accrued and unpaid interest on such Offered Bonds on such redemption date.

"Treasury Rate" means, with respect to any redemption date for any particular Offered Bond, the greater of:

(i) the yield to maturity as of such redemption date of the United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to, but no more than 45 calendar days prior to, the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to maturity; provided, however, that if the period from the redemption date to maturity is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used; or

(ii) the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Offered Bond, the United States Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the Offered Bond to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Offered Bond, (i) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations (defined below), the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by the Authority.

"Reference Treasury Dealer" means each of four firms specified by the Authority from time to time, which firms shall be primary United States government securities dealers in the City of New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Authority will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Offered Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 P.M., New York City time, at least two business days prior to, but no more than 45 calendar days prior to, such redemption date.

"Applicable Spread" shall mean (i) for the Offered Bonds maturing 11/1/2022 through and including 11/1/2025, zero (0) basis points; (ii) for the Offered Bonds maturing 11/1/2026 through and including 11/1/2030, five (5) basis points, (iii) for the Offered Bonds maturing 11/1/2031 through and including 11/1/2034, ten (10) basis points; and (iv) for the Offered Bonds maturing 11/1/2035 through and including 11/1/2045, twelve and one-half (12.5) basis points.

The redemption price of such Offered Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority to calculate such redemption price, and such determination shall be conclusive and binding on the Authority, the Trustee, Paying Agent and Registrar, and the owners of the Offered Bonds,. The Authority may conclusively rely on the determination of such redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

*Mandatory Sinking Fund Redemption.* The Offered Bonds maturing on November 1, 2041, and on November 1, 2045, are Term Bonds subject to redemption in part on November 1 in each of the years and in the respective principal amounts set forth below at a Redemption Price equal to the principal amount or portion thereof to be redeemed, together with the interest accrued thereon to the date fixed for redemption, from Sinking Fund Installments which are required to be accumulated in the Debt Service Fund in amounts sufficient to redeem on November 1 of each year shown below the principal amount of such Offered Bonds specified for such year:

<b>Nov. 1, 2041 Maturity</b>		<b>Nov. 1, 2045 Maturity</b>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2037	\$ 34,345,000	2042	\$ 19,665,000
2038	31,335,000	2043	20,195,000
2039	30,315,000	2044	14,555,000
2040	31,105,000	2045*	<u>11,540,000</u>
2041*	<u>29,665,000</u>		<u>\$ 65,955,000</u>
	<u>\$ 156,765,000</u>		

\*Final Maturity

*Selection of Offered Bonds to be Redeemed.* If less than all of the Offered Bonds of a maturity are to be redeemed, the Offered Bonds of such maturity shall be redeemed pro rata as nearly as practicable in the proportion that the principal amount of the outstanding Offered Bonds of such maturity owned by each registered owner bears to the aggregate principal amount of the outstanding Offered Bonds of such maturity. For so long as a book-entry only system is in effect and DTC or a successor securities repository is the sole registered owner of the Offered Bonds, in the event of a redemption of less than all of the Offered Bonds of a maturity, the particular ownership interests of the Offered Bonds of such maturity to be redeemed shall be selected by DTC and Direct DTC Participants and Indirect DTC Participants, or by any such successor repository or any other intermediary, in accordance with their respective operating rules and procedures. To the extent practicable, the Paying Agent will request that DTC select the amount of such interests of Offered Bonds to be redeemed on a pro rata pass-through distribution of principal basis in integral multiples of \$5,000 in accordance with DTC procedures then in effect. The Authority can provide no assurance that DTC or its successor, Direct DTC Participants and Indirect DTC Participants, or any successor repository or any other intermediary will allocate the redemption of Offered Bonds on such basis. If, at the time of redemption of the Offered Bonds, either (i) the operational arrangements of DTC do not allow for the redemption of the Offered Bonds on a pro rata pass-through distribution of principal basis, or (ii) the Paying Agent has failed to notify DTC that the Offered Bonds to be redeemed are to be redeemed pursuant to DTC's pro rata pass-through distribution of principal procedures, or has failed to furnish to DTC the factor to be applied by it in determining the pro rata allocation of the principal to be redeemed, then in each such case the Offered Bonds of such maturity to be redeemed may be selected in accordance with DTC operating rules and procedures, which currently provide for the redemption to be processed by random lottery. Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, or of any other intermediary, to make such selection or proportional allocation, for whatever reason, will not affect the sufficiency or the validity of the redemption of Offered Bonds. See Appendix F- "BOOK-ENTRY ONLY SYSTEM."

*Notice of Redemption.* Notice of redemption is to be mailed not less than 30 days prior to the redemption date, to the Owner of each Offered Bond to be redeemed at the address that appears on the registration books, but failure to receive any such notice shall not affect the validity of the redemption proceedings. Any notice of redemption may provide that such redemption is conditional on the availability of sufficient moneys to pay the Redemption Price, plus interest accrued and unpaid to the redemption date.

For so long as a book-entry only system is in effect with respect to the Offered Bonds, the Registrar will give notice of redemption to DTC or its nominee or its successor. See Appendix F- "BOOK-ENTRY ONLY SYSTEM." Any failure of DTC or its successor, or of a Direct DTC Participant or Indirect DTC Participant, or any other intermediary, to notify a beneficial owner of an Offered Bond of any redemption will not affect the sufficiency or the validity of the redemption of such Offered Bond. Neither the Authority, nor the Trustee or Registrar, can give any assurance that DTC or its successor, the Direct DTC Participants or the Indirect DTC Participants, or any other intermediary, will distribute such redemption notices to the beneficial owners of the Offered Bonds, or that they will do so on a timely basis.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

The Bonds, including the Offered Bonds, constitute special obligations of the Authority. The principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds shall be payable solely from the Annual Financing Charges, Legislative Appropriations and other moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution. The Annual Financing Charges and Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, and all moneys and Investment Obligations credited to the Funds and Accounts established by the Resolution, are pledged for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds in accordance with the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution. All covenants and agreements set forth in the Resolution to be performed on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of all of the Bonds, except as expressly provided in or permitted by the Resolution. **The Authority has elected to establish a separate account in the Debt Service Reserve Fund solely for the Offered Bonds, with no current funding requirement. Accordingly, the Offered Bonds will not be secured by a funded debt service reserve. See "Debt Service Reserve Fund" below.**

The definition of "Institution" contained in the Act was amended by Chapter 174, Public Laws of 2013 and, the definitions of "Institution" contained in the Resolution and in the Financing Agreements with the Board of Regents and the Board of Trustees, respectively, relating to that definition, have been amended accordingly. These amendments apply to all of the Authority's currently outstanding Higher Educational Facilities Second Program Bonds as well as those to be issued (including the Offered Bonds). See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - 2013 Amendments to the Act, the Resolution and the Financing Agreements", Appendix C - "GLOSSARY OF CERTAIN TERMS", Appendix

D - "SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS - Amendment", and Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Supplemental Resolution; Amendments" (clause (8) of the first paragraph).

**THE OFFERED BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM THE SOURCES PROVIDED IN THE RESOLUTION AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, ANY POLITICAL SUBDIVISION OF THE STATE OR THE AUTHORITY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR INTEREST ON, THE OFFERED BONDS.**

**THE AUTHORITY HAS NO TAXING POWER.**

### **Financing Agreements**

The Authority and each Board have entered into a Financing Agreement. The Financing Agreements obligate the Authority to use its best efforts to finance Projects for the respective Boards under certain terms and conditions. The Financing Agreements also obligate the Boards to pay to the Authority Annual Financing Charges sufficient, among other things, to provide for the payment of debt service on the Bonds. Annual Financing Charges payable with respect to a Project are required to be paid by the Board only from Fees and Charges of the Institution for which the project was financed. The Boards are required to establish and collect fees and charges at the Institution at a level sufficient to produce in each Fiscal Year not less than two times the amount required for the payment of, among other things, all Annual Financing Charges payable in such Fiscal Year with respect to all Projects for the Institution. The Annual Financing Charges required of the Institution also are payable, if necessary, from Legislative Appropriations for the operation and maintenance of the Institution. See "Legislative Appropriations" below.

### **Annual Financing Charges; Fees and Charges**

The Financing Agreements require that as long as any Debt (including the Offered Bonds) remains outstanding for any Project, Annual Financing Charges shall be established and revised by the Authority from time to time in such amounts, payable at such times, as shall at all times be sufficient to enable the Authority to (i) pay the principal of and premium, if any, and interest on such Debt as and when the same become due and payable, (ii) pay or replenish reserves therefor as and when required by the Resolution, and (iii) make any other payments required to be made by or on behalf of the Authority under or pursuant to the Resolution.

The Boards are required by the Financing Agreements to pay to the Authority all Annual Financing Charges in such amounts, at such times, in such manner and at such places as shall be specified in writing from time to time by the Authority. It is the current policy of the Authority that the Boards make payments to the Authority at least 5 days prior to their respective due dates. This policy may be changed by the Authority in a manner consistent with the immediately preceding sentence and paragraph. Under the Financing Agreements, the obligation of the Boards to pay Annual Financing Charges is absolute and unconditional, and Annual Financing Charges are required to be paid in full without set-off or counterclaim.

The Boards covenant and agree in the Financing Agreements to establish and collect Fees and Charges at each Institution at a level sufficient to produce in each Fiscal Year no less than two times the amount required for the payment of the aggregate (without duplication) of (i) all Annual Financing Charges in such Fiscal Year payable with respect to all Projects for the Institution, plus (ii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges in such Fiscal Year with respect to the Institution.

Annual Financing Charges payable with respect to a Project (including debt service on the portion of the Bonds issued for that Project) are required under the Financing Agreements to be paid by the Boards, as and when the same become due, only from Fees and Charges of the Institution. "Fees and Charges" means all revenues, fees, rentals and other charges received by or on behalf of an Institution which are available to pay Annual Financing Charges. See Appendix B – "TSSBA SELECTED STATISTICAL INFORMATION" for a description of the Institutions for which Projects are being financed with the proceeds of the Offered Bonds and for detail regarding each Institution's historical statement of collection of Fees and Charges, as well as the debt service on Bonds attributable to such Institution.

Each Institution's total Fees and Charges and Legislative Appropriations (see "Legislative Appropriations" below) may be used to pay costs of operating and maintaining such Institution as well as the Annual Financing Charges. Each Board may pledge, assign or otherwise use or encumber any Fees and Charges relating to an Institution to obligations of the Institution or of the Board in addition to the Bonds if the aggregate of the Fees and Charges collected by the Institution in the preceding Fiscal Year is no less than two times the amount required for the payment of the aggregate (without duplication) of (i) the maximum amount of the Annual Financing Charges payable and projected to be payable with respect to all Projects for the Institution in any succeeding Fiscal Year, plus (ii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges with respect to the Institution in any succeeding Fiscal Year.

The Financing Agreements also require that, in addition to Annual Financing Charges, the Authority may establish and revise from time to time, and the Boards shall apply Fees and Charges from their respective Institutions to pay fees (“Administrative Fees”) to compensate the Authority for costs relating to (i) the issuance and payment of Debt and (ii) the administration of the Financing Agreements and the Resolution.

### **Legislative Appropriations**

In accordance with the Act, the Financing Agreements provide that if any Annual Financing Charges or Administrative Fees shall not be paid by a Board when due and payable with respect to a Project, or if the Board shall notify the Authority of any inability to make such payment from Fees and Charges, then the Board shall deduct from the amounts appropriated by the General Assembly of the State of Tennessee (the “General Assembly”) for the operation and maintenance of the respective Institution and pay to the Authority such amount or amounts as may be required to make the Board current with respect to the unpaid Annual Financing Charges and Administrative Fees. The Boards also agree in the Financing Agreements that the Commissioner of Finance and Administration, or his successor, after notice from the Authority that the respective Board has failed to pay Annual Financing Charges or Administrative Fees due and payable with respect to a Project, shall, to the extent permitted by law, deduct from the amounts appropriated by the General Assembly for the operation and maintenance of the respective Institution the amount or amounts as may be required to make the Board current with respect to the unpaid Annual Financing Charges and Administrative Fees. The Authority has established and tested detailed procedures for ensuring that these deductions will be made in a manner that ensures the timely payment of debt service. It has not been necessary, to date, to utilize these procedures.

A significant source of funding for the State's public institutions of higher education has been and continues to be annual appropriations made by the General Assembly. See “Statement of Fees/Charges, Legislative Appropriations and Debt Service for the Last Ten Years” in Appendix B and “TENNESSEE PUBLIC HIGHER EDUCATION.” However, the General Assembly is under no obligation to continue to make appropriations for the operation and maintenance of any Institution or of the Institutions generally, or to do so in any particular amount. See, however, “Additional Bonds” and “Statutory Covenant” below. The State of Tennessee (or “State”) is not liable on the Bonds and the Bonds are not a debt of the State.

Under the State Constitution, public money may be expended only pursuant to an appropriation made by law. Such expenditures include, but are not limited to, funding any judgment in the Tennessee Claims Commission as discussed below under - “Certain State Law Bondowner Remedies.” The General Assembly in 2001 confirmed that the earnings, revenues, and assets of the Authority are continuously appropriated for expenditures authorized by or pursuant to the Act, which includes debt service on Second Program Bonds and Revolving Credit Loans. That legislation also confirmed that the earnings, revenues or other assets of any public higher education entity whose contracts or agreements support the payment of the Authority’s debt service are continuously appropriated for expenditures in accordance with or pursuant to such contracts or agreements which include the Financing Agreements. The Authority can provide no assurance as to the continuation of these continuing appropriations.

### **Statutory Covenant**

In accordance with the provisions of the Act, the Authority, on behalf of the State, in the Resolution pledges to and agrees with the Owners of the Bonds that the State will not limit or alter the rights vested by the Act in the Authority to fulfill the terms of any agreements made with Bond Owners, or in any way impair the rights and remedies of such Owners until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Owners, are fully met and discharged.

### **Flow of Funds**

All Annual Financing Charges and Legislative Appropriations held or collected by the Authority are required by the Resolution to be deposited to the General Fund established under the Resolution, which shall be held by the State Treasurer or, at the direction of the State Treasurer, a separate custodian. However, in lieu of such deposit, the Authority may direct and cause any Board to transmit directly to the Trustee any amount of Annual Financing Charges and Legislative Appropriations payable by such Board that is required to be transferred by the Authority to the Trustee in the amounts and by the times required for purposes of the Debt Service Fund or Debt Service Reserve Fund.

All moneys credited to the General Fund shall be applied by the Authority in the following manner and order:

*First*, the Authority shall transfer to the Debt Service Fund such sums as are required to be deposited therein under the Resolution after giving effect to any such direct deposit; and

*Second*, the Authority shall transfer to the Debt Service Reserve Fund such sums as are required to be deposited therein pursuant to the Resolution after giving effect to any such direct deposit; provided, however, that no transfer shall be

required prior to the date required, notwithstanding that as a result, lower priority transfers (described in the following paragraph) may be made at any time prior to higher priority transfers that could be but are not required to be made at the same time.

Any moneys credited to the General Fund in any month and not applied in such month, or required or otherwise expected to be applied thereafter in such month or in the next succeeding month, may be used for any lawful purpose of the Authority including, but not limited to, the payment of the principal of and premium, if any, and interest on Subordinated Obligations, the establishment of reserves for such payment, the payment or reimbursement of Administrative Expenses of the Authority, or the purchase or redemption of Bonds or Subordinated Obligations.

The Debt Service Fund shall be held by the Trustee or at the option of the Authority, unless there shall exist an Event of Default, by the State Treasurer or, at the direction of the State Treasurer, a separate custodian; it is currently being held by the Trustee. Moneys credited to the Debt Service Fund shall be deposited in the following amounts and order of priority, except that deposits from excess Construction Fund moneys shall be applied as directed by the Authority:

*First*, at least one Business Day prior to each interest payment date, there shall be deposited in the Debt Service Fund an amount equal to, and which shall be applied to the payment of, the interest becoming due on the Outstanding Bonds on such interest payment date;

*Second*, at least one Business Day prior to each principal payment date, there shall be deposited in the Debt Service Fund an amount equal to, and which shall be applied to the payment of, the principal amount of Bonds (including the principal amount of any Put Bonds tendered for payment by the Authority and not purchased in lieu of redemption prior to the redemption date thereof) of the Outstanding Serial Bonds becoming due on such principal payment date; and

*Third*, at least one Business Day prior to each Sinking Fund Payment Date for the Term Bonds, there shall be deposited in the Debt Service Fund an amount equal to, and which shall be applied to the payment of, the Sinking Fund Installments becoming due upon the redemption of such Term Bonds on such Sinking Fund Payment Date.

#### **Debt Service Reserve Fund**

##### *General*

The Resolution establishes a Debt Service Reserve Fund for the payment of all Series of Bonds, with a separate Debt Service Reserve Account therein for each Project financed, as described below. The Resolution also permits the Authority to establish a separate account in the Debt Service Reserve Fund to be applied solely to the payment of a particular Series of Bonds and to establish the requirements for that separate account; however, there is no requirement that such separate account in the Debt Service Reserve Fund be funded. Such separate account, if funded, would secure only the Series of Bonds for which it was created and the related Series of Bonds would not have access to any other accounts in the Debt Service Reserve Fund. The Debt Service Reserve Fund shall be held by the Trustee or, at the option of the Authority, unless there shall exist an Event of Default, by the State Treasurer or, at the direction of the State Treasurer, a separate custodian. It is currently being held by the Trustee.

##### *No Debt Service Reserve For the Offered Bonds and Certain Other Bonds*

**The Authority has elected to establish a separate account in the Debt Service Reserve Fund solely for the Offered Bonds, with no current funding requirement. Accordingly, the Offered Bonds do not have a funded debt service reserve account.** Specifically, the Offered Bonds shall have no claim or lien on, nor shall any Offered Bonds be payable from, any accounts in the Debt Service Reserve Fund, except from the separate account established for the Offered Bonds to the extent that such account may be funded in the future, although the Authority is under no obligation to fund the accounts and has no present intent to provide such funding. The Authority's currently outstanding Higher Educational Facilities Second Program Bonds similarly have no funded debt service reserve accounts and requirements and the provisions of the preceding sentence apply to them as well.

#### **Additional Bonds**

Additional Bonds may be issued under the Resolution from time to time in Series, including refunding Outstanding Bonds, but only upon, among other things:

1. Receipt by the Trustee and the Registrar of a Counsel's Opinion to the effect that (i) the Authority has the right and power under the Act as amended to the date of such Opinion to adopt the Resolution (with such approvals as may be required by the Act as so amended), the Resolution has been duly and lawfully adopted by the Authority (and such approvals given), is in full force and effect and is valid and binding upon the Authority; (ii) the Resolution creates the valid pledge which it purports to create of the Annual Financing

Charges, Legislative Appropriations, and all rights under the Agreements or otherwise to receive the same, moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution; and (iii) the Bonds of such Series are valid and binding obligations of the Authority as provided in the Resolution, entitled to the benefits of the Resolution and of the Act as amended to the date of such Counsel's Opinion, and such Bonds have been duly and validly authorized and issued in accordance with the law, including the Act as amended to the date of such Counsel's Opinion, and in accordance with the Resolution.

2. Receipt by the Trustee and the Registrar of a certificate of the Authority stating that:
  - (a) the principal amount of the Bonds then to be issued, together with the principal amount of the Bonds theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law;
  - (b) the Authority is not in default in the performance of any other covenants, conditions, agreements or provisions contained in the Resolution, including but not limited to that there is no deficiency in the amounts required by the Resolution to be paid into the Debt Service Fund except, in the case of Refunding Bonds, if, upon the application of the proceeds of such Bonds or upon the issuance and delivery of such Bonds, all such defaults shall be cured;
  - (c) the amount on deposit in the Debt Service Reserve Fund, upon the issuance and delivery of any such Series of Bonds, shall not be less than the Debt Service Reserve Requirement;
  - (d) the Financing Agreements obligate the Boards to pay, in the aggregate, Annual Financing Charges with respect to Projects for which Bonds have been issued and the additional Bonds being issued sufficient in amount, together with capitalized interest, to pay as the same shall become due the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, of and interest on the Bonds then Outstanding and the additional Bonds being issued; and
  - (e) the provisions of the Act authorizing the Boards to deduct from amounts appropriated by the General Assembly for the operation and maintenance of the Institution for which each Project is undertaken and pay to the Authority such amount or amounts as may be required to make up any deficiencies in the Fees and Charges and other moneys available for the purpose of paying Annual Financing Charges due the Authority have not been repealed or amended to the detriment of Bondowners.

Additional Bonds are required to be authorized by Supplemental Resolution, which may delegate to authorized officers the power to determine, supplement, modify or amend specified details of such Bonds by means of a Series Certificate, which shall be filed with the Trustee and deemed for all purposes of the Resolution to have been adopted by the Authority and to be a part of the Supplemental Resolution to which it relates.

Additional Bonds may take the form of and have features incident to, among other things, Capital Appreciation Bonds, Variable Interest Rate Bonds, or Put Bonds, and in connection with the issuance of any Bonds the Authority may enter into Credit Facilities and Qualified Swaps. For a description of certain related provisions that may be included in Supplemental Resolutions, see Appendix E - "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Certain Provisions Relating to Credit Facilities, Qualified Swaps and Other Arrangements."

### **Qualified Swaps**

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps relating to such Bonds. The Authority's obligation to make any payment under any Qualified Swap may be secured by a pledge of, and a lien on, the items pledged in the Resolution for the security of the Bonds on a parity with the lien created by the Resolution or be payable from or secured by amounts on deposit in the Debt Service Fund or Debt Service Reserve Fund, or shall constitute Subordinated Obligations payable from the General Fund, as determined by the Authority; provided, however, that any optional or mandatory termination payments shall constitute Subordinated Obligations. If a Qualified Swap is payable from and/or secured by the Debt Service Fund and Debt Service Reserve Fund, the Authority may provide by Supplemental Resolution for a recalculation of the Debt Service Reserve Requirement for any Bonds to take into account the Authority's debt service payment obligations on such Bonds as affected by such Qualified Swap. The Authority has not entered into any Qualified Swaps and has no current plans to do so.

## **Subordinated Obligations; Revolving Credit Loans**

Revolving Credit Loans under the Revolving Credit Agreement constitute Subordinated Obligations under the Resolution. The Revolving Credit Agreement replaces the Authority's Commercial Paper program, which has been terminated.

The Revolving Credit Agreement permits loans thereunder (the "Revolving Credit Loans") from time to time (and prepayments and reborrowings) in an aggregate principal amount outstanding at any time not to exceed \$300,000,000 to fund Project Costs and certain other limited purposes. Generally, the Revolving Credit Agreement is intended to provide interim financing in anticipation of the issuance of Bonds, although in some cases the Authority may retire loans from other available sources. The commitment of the Banks under the Revolving Credit Agreement to fund Revolving Credit Loans expires March 18, 2021, unless that period is extended pursuant to the terms of the Revolving Credit Agreement (the "Commitment Expiration Date"). Revolving Credit Loans outstanding on the Commitment Expiration Date may be converted to term loans amortizing, in approximately equal principal installments, over a period ending with the earliest to occur of (i) the third anniversary of the conversion, (ii) the date other debt is issued to repay the term loans, and (iii) with respect to any loan that has been converted to a term loan, the eighth anniversary of the original loan. Revolving Credit Loans prior to conversion to term loans bear interest at 70% of one-month LIBOR, plus a ratings-based spread, for tax-exempt loans, and at one-month LIBOR plus a ratings-based spread for taxable loans. Term loans initially bear interest at a rate equal to the greatest of (i) the Administrative Agent's prime rate plus 1%, (ii) the Federal Funds Rate plus 2% or (iii) 7%, for the first 180 days outstanding, and thereafter at such rate plus 1% (the "Base Rate"). If the Authority's long-term unenhanced Bond rating is reduced below the A-level, or in the event of an event of default, interest is payable at the Base Rate plus 3%. Interest on the loans is payable monthly. The banks under the Revolving Credit Agreement have several available remedies upon an event of default, including acceleration of loans.

The availability of Revolving Credit Loans under the Revolving Credit Agreement expires on March 18, 2021. The Authority is currently exploring alternatives for the continuation of interim financing of Project Costs and for the refinancing of existing Revolving Credit Loans, including the issuance of Bonds or the temporary or permanent extension of the Revolving Credit Agreement.

On December 31, 2020, the Authority had \$101,385,690 (unaudited) aggregate principal amount of the Revolving Credit Loans outstanding, which includes \$18,599,342 not yet allocated to Institutions.

## **Certain State Law Bondowner Remedies**

The State has waived the Authority's immunity from suit and extended its consent to be sued for actions on the Bonds, but has not done so for other contractual obligations of either the Authority or the Boards, including the Financing Agreements. Current State law provides that monetary claims against the State (including, for this purpose, the Authority and the Boards) for breach of its contractual obligations and certain other causes where sovereign immunity has been waived may be heard and determined exclusively in the forum of the Tennessee Claims Commission, an administrative tribunal, where the Authority or the Boards may be liable only for actual damages and certain costs.

Under the State Constitution, public moneys may be expended only pursuant to an appropriation made by law. Sovereign immunity or other legal principles may bar actions to compel the General Assembly to appropriate moneys or to compel the payment of appropriated moneys.

For a description of remedies available to Bondowners under the Resolution, see Appendix E – "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Remedies."

## **Termination of Existence**

The Governmental Entity Review Law provides for the termination of various governmental entities on specified dates, which in the case of the Authority and the Board of Regents is June 30, 2022, and in the case of the Board of Trustees is June 30, 2024. The law also provides that if the General Assembly does not extend the termination date of an entity, the existence of the entity will continue for an additional year without any diminution, reduction or limitation of its powers. However, the State is required to preserve the rights of the holders of any outstanding indebtedness of the entity at the time of termination and the obligations and rights of such entity shall accrue to the State.

## **2013 Amendments to the Act, the Resolution and the Financing Agreements**

Legislation was enacted by the General Assembly at its 2013 session and signed into law by the Governor (Chapter 174, Public Laws of 2013) to amend the definition of "Institution" in the Act from "the University of Tennessee, including all of its branches and divisions wherever located, and each constituent institution of the state university and community college system described in § 49-8-101(a). Each constituent institution of the state university and community college system,

whether or not it confers degrees, shall be deemed an institution of higher education for purposes of this part;” to “(i) the University of Tennessee system, including all of its branches and divisions wherever located, and the services, programs and activities provided therein, and the board of trustees of the University of Tennessee, in the aggregate, and (ii) the state university and community college system, including all of its constituent institutions, wherever located (whether or not conferring degrees), and the services, programs and activities provided therein, and the Board of Regents of the state university and community college system, in the aggregate.” This has the effect of the State University and Community College System being treated for purposes of the Act as a collective entity in the same way the University of Tennessee system previously was, and will continue to be, treated.

The definitions of “Institution” contained in the Resolution and in the Financing Agreement and other provisions of the Financing Agreement with the Board of Regents relating to that definition were amended accordingly, as permitted thereby, on May 9, 2013. See Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS – Amendment”; Appendix E – “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION – Supplemental Resolution; Amendments” (clause (8) of the first paragraph); and “ADDITIONAL INFORMATION; CONTINUING DISCLOSURE.”

The amendments described above apply to all of the Authority’s currently outstanding Higher Educational Facilities Second Program Bonds as well as those to be issued (including the Offered Bonds). One principal effect of the amendments is to allow the Board of Regents to satisfy its obligation to pay Annual Financing Charges to the Authority with respect to all Projects from the Fees and Charges imposed by all of its constituent institutions, in the aggregate, instead of on an institution-by-institution basis as was previously the case. Another is that the deductions and payments to the Authority from Legislative Appropriations for non-payment by the Board of Regents of Annual Financing Charges or Administrative Fees with respect to a Project could be made from appropriations made by the General Assembly for the operation and maintenance of all of the constituent institutions of the State University and Community College System, as was previously, and will continue to be, the case with respect to the University of Tennessee system, and not just from the appropriations for the operation and maintenance of the particular constituent institution for which such Project was undertaken or used. Similarly, amounts appropriated for certain other services, programs and activities of both the Board of Regents and the Board of Trustees, and for the two Boards themselves, may be deducted and paid to the Authority in the event of non-payment under the respective Financing Agreements. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Legislative Appropriations.” The amendments to the Financing Agreements also are expected to affect the eligibility of Projects for financing by the Authority as described in Appendix D – “SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS – Approval of Projects and Project Costs.”

Included in “Coverage of Annual Financing Charges and Administrative Fees for the Long-Term Debt Secured By Financing Agreements – College and University Funds – For the Last Ten Years” in Appendix B is a calculation of coverage consistent with the amendments described above.

## **THE AUTHORITY**

The Authority, created in 1965 under the Act, is a corporate governmental agency and instrumentality of the State. In addition to its authority to issue bonds and notes to finance Projects, the Authority in 1980 was empowered by the General Assembly to issue bonds or notes to provide funds for the making of student loans by the Tennessee Student Assistance Corporation. The principal amounts of such bonds or notes issued may not exceed \$5,000,000 and must be secured separate and apart from any bonds or notes of the Authority issued to provide funds to finance Projects. As of the date of this Official Statement, no bonds or notes have been issued for the making of student loans.

In 1999, the General Assembly empowered the Authority to issue Qualified Zone Academy Bonds (“QZABs”). QZABs are issued under the provisions of the Authority’s Qualified Zone Academy Bonds First Program Resolution, are not supported by either the First Program or Second Program Financing Agreements, and are not secured by either the First Program or Second Program General Bond Resolution. QZABs are part of a Federal government program in which, generally, a Federal income tax credit is given to investors in lieu of the payment of interest on the bonds.

Under the QZAB program, loans with local governments are direct general obligations of the local government for the payment of which as to principal, the full faith and credit of the local government are pledged. As additional security for the loans, there is also pledged the borrower’s unobligated portions of State taxes that are by statute to be shared with the local governments (“Unobligated State-Shared Taxes”). Each borrower’s annual loan repayments are deposited into sinking fund accounts invested with the State Treasurer and, together with interest thereon, are held to be applied to the payment of principal of the QZABs at maturity or upon redemption. As of December 31, 2020, all of the Authority’s outstanding QZAB bonds have matured or have been redeemed (unaudited).

The Authority is also authorized to issue qualified school construction bonds (“QSCBs”), as defined in Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”). QSCBs are issued under the provisions of the Authority’s Qualified School Construction Bonds General Bond Resolution, which was adopted by the Authority on November 5, 2009, as supplemented (the “QSCB Resolution”), are not supported by either the First Program or Second Program Financing Agreements, and are not secured by either the First Program or Second Program General Bond Resolution. The proceeds of QSCBs are lent to cities, counties and metropolitan governments in the State for construction, renovation and equipment of public school facilities. Under the QSCB program, each borrower executes a loan agreement pursuant to which it agrees to pay the principal of and interest on its loan and pledges to such payments its full faith and credit and unlimited taxing power and its Unobligated State-Shared Taxes in the event of non-payment by such borrower. For certain of the QSCBs, a Federal income tax credit is given to bondholders in lieu of the payment of interest on bonds, and in certain other QSCBs an election is made by the Authority to receive direct interest subsidy payments from the United States Treasury, which, if not needed to cure defaults under loan agreements with the borrowers, are transferred to them. As of December 31, 2020, the total par amount of QSCBs outstanding was \$389,440,000 (unaudited), and the book value of pledged sinking fund accounts totaled \$246,288,891 (unaudited).

The Authority is also required to approve any borrowings consummated by the Board of Trustees, by the Board of Regents or by any of the Institutions, whether such borrowings are made through the Authority or independently.

**Membership of the Authority**

The powers of the Authority, as defined in the Act, are vested in and exercised by its members who consist of the Governor, the Comptroller of the Treasury, the Secretary of State, the State Treasurer, the Commissioner of Finance and Administration, the Chancellor of the Board of Regents, and the President of The University of Tennessee. The Governor serves as Chairman of the Authority, and the Comptroller of the Treasury serves as the Secretary.

The Comptroller of the Treasury, the Secretary of State, and the State Treasurer are the Constitutional Officers of the State and are elected from time to time by the General Assembly. The Commissioner of Finance and Administration serves at the pleasure of the Governor. The Chancellor of the Board of Regents and the President of The University of Tennessee serve at the pleasure of their respective Boards.

**Outstanding Indebtedness of the Authority**

As of December 31, 2020 (unaudited), the Authority will have issued, and there will be outstanding under the Resolution, as adjusted to include the Offered Bonds and exclude the 2021A Refunded Bonds as follows:

<u>Higher Educational Facilities Second Program Bonds</u>	<b>Principal Outstanding (Unaudited)</b>
2012 Series A	\$ 7,705,000
2012 Series B (Federally Taxable)	66,800,000
2012 Refunding Series C	11,745,000
2013 Series A	7,210,000
2014 Series A (Federally Taxable)	42,315,000
2014 Refunding Series B	82,190,000
2015 Series A (Federally Taxable)	48,270,000
2015 Series B	120,460,000
2017 Series A	231,850,000
2017 Refunding Series B	124,225,000
2017 Refunding Series C (Federally Taxable)	12,450,000
2019 Series A	142,275,000
2019 Series B (Federally Taxable)	57,975,000
2021 Series A (Federally Taxable)	713,365,000
Total Outstanding Second Program Bonds	<u><u>\$ 1,668,835,000</u></u>

There also are outstanding Revolving Credit Loans as described under “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Revolving Credit Loans.”

The Authority continually monitors its debt structure and capital requirements, and depending on such requirements, financial market conditions and other factors, may issue additional bonds or notes and may refund (whether or not for savings) any of its outstanding bonds and notes. For additional financial information concerning the Authority, see Appendix A hereto.

## **TENNESSEE PUBLIC HIGHER EDUCATION**

### **General**

Public higher education in Tennessee is coordinated by the Tennessee Higher Education Commission (the “Commission”) and consists of eight boards: The University of Tennessee system governed by the Board of Trustees and the State University and Community College system comprised of six state universities – Austin Peay State University, East Tennessee State University, Middle Tennessee State University, Tennessee State University, Tennessee Technological University, and University of Memphis (the “State Universities”) – governed by individual State University boards (subject to certain financial controls by the Board of Regents as described below) and 40 community colleges and state colleges of applied technology (the “Community College System”) governed by the Board of Regents.

The Commission consists of the three Constitutional Officers (Comptroller of the Treasury, Secretary of State, State Treasurer), six lay members with six year terms appointed by the Governor, one lay member with a six year term appointed by the Speaker of Tennessee House of Representatives, one lay member with a six year term appointed by the Speaker of Tennessee Senate, one lay member with a six year term appointed jointly by the Speaker of Tennessee House of Representatives and the Speaker of Tennessee Senate, and two student members appointed by the Governor for two year terms (one from The University of Tennessee system and one not from The University of Tennessee system; one voting each year). It develops a statewide Master Plan used in making policy recommendations concerning such matters as the need for existing degree programs, the development of new degree programs, and the review of tuition and fees. The Commission is charged with conducting annual reviews and licensing non-accredited, degree-offering postsecondary educational institutions; has the responsibility for studying the use of public funds appropriated for higher education; and recommends the appropriation of state funds for public higher education institutions.

The Boards have entered into Second Program Financing Agreements, by which the Authority provides funding for Projects. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.”

The University of Tennessee was founded in 1794 as Blount College. The University was designated in 1869 as the Federal land-grant institution in Tennessee. The Board of Trustees is the governing body of The University of Tennessee. The University has four main campuses (Knoxville, Martin, Chattanooga, and Health Science Center), with 33 colleges, schools, and divisions, and together with the Board of Trustees constitute a single “Institution” under the Act and the Board of Trustees’ Second Program Financing Agreement.

The Board of Regents was created by the General Assembly in 1972. The Board of Regents governs the Community College System, which currently includes 13 community colleges and 27 colleges of applied technology (“CATs”). Institutions governed by the Board of Regents are: Chattanooga State Community College, Cleveland State Community College, Columbia State Community College, Dyersburg State Community College, Jackson State Community College, Motlow State Community College, Nashville State Community College, Northeast State Community College, Pellissippi State Community College, Roane State Community College, Southwest Tennessee Community College, Volunteer State Community College, and Walters State Community College, as well as the CATs located throughout the State.

Prior to the FOCUS Act, 2016 Public Chapter 869, each of the State Universities were governed solely by the Board of Regents. Pursuant to the FOCUS Act, the State Universities are now governed by their own individual State University boards subject to certain powers and duties of the Commission. In addition, the Board of Regents has authority over and must give final approval to the State Universities’ operating budget. Funds appropriated for the State Universities are first distributed to the Board of Regents, which then distributes the funds to the State Universities, minus any deductions required by the Second Program Financing Agreements. In addition, the Board of Regents retains all powers and duties with respect to the State Universities (as well as the Community College System), including any projects, which are necessary for the Board of Regents to fulfill its covenants, representations, agreements and obligations under the Second Program Financing Agreements. The Board of Regents retains sole governance of the Community College System. The State University and Community College System and the Board of Regents constitute a single “Institution” under the Act and the Board of Regents’ Second Program Financing Agreement. Pursuant to Tennessee Code Annotated Title 49, Chapter 8, Section 203, none of the State Universities are authorized to borrow any monies, whether by bonds or notes, without approval of the Authority.

For statements of outstanding debt by Institution, debt service coverage, fees and charges, appropriations and debt service by Institution, and certain other statistical information, see Appendix B hereto.

## **Capital Projects**

Capital projects that have been approved by the Authority (see “REVIEW AND APPROVAL PROCESS FOR FINANCING OF PROJECTS BY AUTHORITY” below) generally are funded initially by Revolving Credit Loans until they are at least approximately 75% complete, after which they are refinanced with Bonds, and occasionally are financed directly with Bonds. As of December 31, 2020, projects authorized to be financed for the University of Tennessee system have a total cost of \$285,650,000, of which \$42,155,742 had been funded with Revolving Credit Loans, and for the Tennessee Board of Regents system have a total cost of \$92,931,398, of which \$34,399,265 had been funded with Revolving Credit Loans. The Governor’s budget for fiscal year 2020-2021 includes capital projects, as amended by the Appropriations Bill (Public Chapter 453), to be funded by the Authority in the amount of \$148,150,000, of which \$113,350,000 is for the University of Tennessee system and \$34,800,000 is for the Tennessee Board of Regents system.

## **Tennessee Promise**

The Tennessee Promise is both a scholarship and mentoring program that began with the high-school graduating Class of 2015. The Tennessee Promise provides two years of tuition-free education at a community college or technical school in Tennessee as a last-dollar scholarship. The last-dollar scholarship is an approach at the core of the Tennessee Promise that provides funding to cover tuition and mandatory fees not covered by any Pell grant, TN Education Lottery Scholarship programs, or Tennessee Student Assistance Awards. Students may use the scholarship at any of the State’s 13 community colleges, 27 Tennessee Colleges of Applied Technology (TCATs), or other eligible institution offering an associate degree program; it is not available at any University of Tennessee System institution. A critical component of Tennessee Promise is the individual guidance each participant will receive from a volunteer mentor who will assist the student as he or she navigates the college admissions process, regardless of the educational institution at which the student ultimately enrolls. Tennessee Promise participants must complete eight hours of community service before the start of each semester in which they receive the scholarship, maintain satisfactory academic progress (2.0 GPA), and file the Free Application for Federal Student Aid (“FAFSA”).

The Tennessee Promise is funded from interest earnings from the endowment’s corpus, which was established with approximately \$312.5 million from the Tennessee Education Lottery reserve and approximately \$48.8 million from Tennessee Student Assistance Corporation’s operating fund and from annual net lottery proceeds (lottery revenues less lottery expenditures) all of which are deposited into a special reserve. The endowment cannot be used to fund awards but any amount from the special reserve, including interest earnings, can be used to fund the scholarships. In part because of the program’s last-dollar nature and lottery source of funding, Tennessee Promise is not expected to result in a material financial burden to the State University and Community College System or to adversely affect the Board of Regents financing of its capital project program through the Authority.

## **Tennessee Reconnect**

Like the Tennessee Promise, Tennessee Reconnect is a last-dollar scholarship program which began with the 2018-2019 academic year. Tennessee Reconnect provides tuition-free education towards a certificate or associate degree at a community college or other eligible institution in Tennessee. Tennessee Reconnect also provides individual guidance for each participant through a college success program, which is designed to assist the student as he or she navigates the college admissions process, regardless of the educational institution at which the student ultimately enrolls. Participation in Tennessee Reconnect will be limited to students who, among other things, have been Tennessee residents for at least one year, are classified as independent students pursuant to FAFSA guidelines and who have not previously earned an associate or baccalaureate degree.

Tennessee Reconnect is funded from lottery proceeds. The program is not expected to result in a material financial burden to the State University and Community College System or to adversely affect the Board of Regents financing of its capital project program through the Authority.

## **Outcomes-Based Funding**

Legislative appropriations for higher education are based on an outcomes-based funding formula model that rewards institutions for the production of outcomes that further the educational attainment and productivity goals of the State’s Master Plan for the future development of public higher education that has been approved by the Commission. This model was effective beginning with fiscal year 2010-2011 and was phased in over a three year period. The model underwent a thorough review in the summer of 2015, culminating in the implementation of the 2015-2020 outcomes-based funding formula. A planned update to the formula in 2020 was postponed due to the COVID-19 pandemic, and the use of the 2015-2020 formula model was extended. A thorough review of the formula and update are planned for 2021. The 2015-2020 model is described below.

The outcomes were chosen to represent broad activities across institutions and are grouped into the categories of student progression, degree production, efficiency, and other important institutional functions. The outcomes are weighted according to institutional mission, reflecting an institution’s basic Carnegie Classification (a major national framework for describing how institutions are alike and different) as a core differentiation.

**Outcomes Included in the University Formula**

Students Accumulating 30hrs	Bachelor and Associate Degrees
Students Accumulating 60hrs	Masters and Ed Specialist Degrees
Students Accumulating 90hrs	Doctoral and Law Degrees
Research, Service and Sponsored Programs Expenditures	Degrees per 100 Full-time Equivalent (“FTE”) Six-Year Graduation Rate

**Outcomes Included in Community College Formula**

Students Accumulating 12hrs	Dual Enrollment Students
Students Accumulating 24hrs	Associates Degrees
Students Accumulating 36hrs	Short- and Long-term Certificates
Job Placements	Transfers Out with 12 credits
Work Force Training Hours	Awards per 100 Full-time Equivalent (“FTE”)

The outcomes-based model does not include student enrollment data at all. It instead utilizes a three-year average of outcome data. The outcome data is then weighted to reflect both the priority of that outcome at a particular institution and an institution’s Carnegie Classification. Institutions are also rewarded with a premium for the student progression and undergraduate degree production data attributable to low-income and/or adult students and universities and low-income, adult and/or academically underprepared students at community colleges. Student progression measures the accumulation of credit hours, thereby incorporating course completions.

The outcomes-based model provides more stability by spreading the financial incentives across more variables. Additionally, the institutional specific weights allow the State to be clear in its expectations, while not prescribing to institutions how to achieve higher levels of outcomes. Unlike performance funding, the outcomes based formula does not have annual targets or benchmarks. Therefore, institutions are not penalized for failure to achieve a predetermined annual target.

**Employee Retirement Benefits**

*Tennessee Consolidated Retirement System - General*

Employees of the University of Tennessee and the Board of Regents are authorized to participate in the Tennessee Consolidated Retirement System (“TCRS”), a defined benefit pension plan, pursuant to Tennessee Code Annotated Title 8, Chapter 35 except that employees exempt from the Federal Fair Labor Standards Act may waive membership in TCRS and elect to participate in the Optional Retirement Program (“ORP”), a defined contribution plan. The general administration and responsibility for the proper operation of TCRS are vested in a twenty member Board of Trustees. The Treasury Department, a constitutional office in the legislative branch of state government, is responsible for the administration of TCRS, including the investment of assets in the plan, in accordance with state statute and in accordance with the policies, rules, and regulations established by the Board of Trustees.

The TCRS covers three large groups of public employees; state employees and higher education employees, K-12 teachers, and employees of certain local governments. As of June 30, 2020, there were 59,797 active members in TCRS in the state and higher education employee group. This total includes 18,465 employees of the University of Tennessee and the Board of Regents who are members of TCRS.

The State is ultimately responsible for the financial obligations of the benefits provided by TCRS to state employees and higher education employees participating in the Legacy Pension Plan to the extent such obligations are not covered by employee contributions and investments earnings. The obligation is funded by employer contributions as determined by an actuarial valuation. The Hybrid Retirement Plan provided to state employees and higher education employees hired after June 30, 2014 includes provisions to control employer contributions and unfunded liabilities. As such, plan provisions of the Hybrid Retirement Plan are automatically adjusted when employer contributions and/or unfunded liabilities exceed statutory limits. Employees hired on or before June 30, 2014 in the state and higher education group are noncontributory. New employees hired on or after July 1, 2014 contribute 5% of salary.

By statute, an actuarial valuation of TCRS is to be conducted at least once in each two year period. The purpose of the actuarial valuation is to determine the financial position of the plan pursuant to Governmental Accounting Standards Board Statement No. 68 (“GASB 68”) and to determine the actuarially determined contributions (“ADC”). Effective June 30, 2015, the Board of Trustees adopted a funding policy whereby an actuarial valuation will be conducted annually to determine the ADC rate for participating employers and to determine the information required by GASB 68 to be presented in financial statements. The actuarial valuation for June 30, 2015 and forward includes both the determination of employer contribution rates and accounting information.

The actuarially determined contribution rate includes funding for the normal cost, the accrued liability cost, and the TCRS administrative cost.

#### *Tennessee Consolidated Retirement System - Actuarial Valuation GASB 68 Financial Status*

An actuarial valuation was performed to determine the TCRS financial position in order to provide information related to Governmental Accounting Standards Board (GASB) pronouncements. At June 30, 2020, (measurement date of June 30, 2019), the net pension liability in the closed plan for the state and higher education employee group was \$1.4 billion, resulting in plan fiduciary net position as a percentage of total pension liability of 91.67%. For the same period, the net pension asset in the open plan for the state and higher education employee group was \$41.5 million, resulting in a funded ratio of 122.36%. A measurement date of the previous fiscal year end is used for GASB 68 purposes.

#### *Pension Plan for Employees Hired on or before June 30, 2014 (Closed Plan)*

Employees enrolled in the pension plan on or before June 30, 2014 do not make contributions to the plan. Eligibility to retire is age 60 or 30 years of service credit. Certain death and disability benefits are available. A member becomes vested after accruing 5 years of service credit. Retirees are eligible for automatic cost of living increases each July based on changes in the customer price index (“CPI”) but capped at 3%.

Higher education institutions are required to contribute at an actuarially determined contribution rate. The employer contribution rates are developed with each actuarial valuation and are delayed by one year for budget purposes. The June 30, 2018 actuarial valuation provided the employer contribution rates for the period July 1, 2019 through June 30, 2020. For the employees of Tennessee’s higher education institutions, the employer contribution rate for fiscal year 2020, stated as a percentage of salary was 19.66%. For fiscal year 2021 the employer rate is 20.23%. Previously, actuarial valuations were performed every two years. Beginning June 30, 2015, the actuarial valuation will be performed annually for both accounting purposes and funding purposes. The employer contribution requirements of the higher education institutions are established and may be amended by the TCRS Board of Trustees.

Employees enrolled in the ORP pension plan on or before June 30, 2014 do not make contributions to the plan. Employer contributions to the ORP are 10% of salary up to the social security wage base and 11% of salary above the social security wage base. Schedules of employer contribution rates and funding are shown below. Additionally, state and higher education employees may participate on a voluntary basis in the state’s 401K deferred compensation plan and are eligible to receive up to a \$50 monthly match from the employer.

#### *New Retirement Plan for Employees Hired on or after July 1, 2014*

As authorized by Public Chapter 259, Acts of 2013, employees first hired on or after July 1, 2014, participate in a hybrid pension plan consisting of a defined benefit plan and a defined contribution plan. Employees contribute at 5% of salary to the defined benefit plan. Employees contribute 2% of salary to the defined contribution plan unless the employee opts out of making such contribution. The total employer cost for the two plans is limited to 9% of salary with 4% targeted to the defined benefit plan and 5% to the defined contribution plan. Employees are also eligible to participate in the state’s 401K deferred compensation plan and are eligible to receive up to a \$50 monthly match from the employer.

The benefit accrual formula under the defined benefit plan is 1%. Eligibility to retire is age 65 or the rule of 90 (where age and service equals 90). Certain death and disability benefits are available. A member becomes vested after accruing 5 years of service credit. Retirees are eligible for automatic cost of living increases each July based on changes in the CPI but capped at 3%.

There is a stabilization reserve created for any employer contributions that exceed the ADC rate that will be utilized to control cost and unfunded liabilities. Federal government grant programs will only permit a reimbursement of the ADC.

The defined benefit component of the hybrid plan has automatic cost controls and automatic controls over unfunded accrued liability. The automatic controls are based on the results of the actuarial valuation. Control features include utilizing funds in the stabilization reserve (if any), limiting retiree cost of living adjustments, shifting future employer contributions

from the defined contribution plan to the defined benefit plan, requiring additional employee contributions, and adjusting benefit accruals. The control features only apply to the new hybrid plan and do not apply to the closed pension plan.

Employees enrolled in the ORP pension plan on or after July 1, 2014 contribute 5% of salary with employers contributing 9% of salary.

*Summary of Employer Contributions for All Plans*

<b>Fiscal Year</b>	<b>TCRS Employer</b>	<b>ORP Employer</b>	<b>DC Employer</b>	<b>Total Employer</b>
<b>Ended 30-Jun</b>	<b>Contributions</b>	<b>Contributions</b>	<b>Contributions</b>	<b>Contributions</b>
2019	\$ 132,135,011	\$ 98,093,651	\$ 27,714,324	\$ 257,942,986
2018	137,819,765	100,608,949	24,016,656	262,445,370
2017	112,420,206	96,501,258	20,342,595	229,264,059
2016	114,238,631	94,115,457	16,661,644	225,015,732
2015	116,270,682	94,003,305	13,655,129	223,929,116
2014	114,052,539			114,052,539
2013	111,365,654			111,365,654
2012	106,487,942			106,487,942
2011	101,909,751			101,909,751
2010	87,729,193			87,729,193

For each year above, contributions made by the University of Tennessee and the Tennessee Board of Regents institutions equal the ADC.

**Other Post-Employment Benefits**

GASB Statements (nos. 74 and 75) provide accounting and financial reporting requirements for retiree healthcare plans and employer participants, commonly known as Other Post-Employment Benefits (“OPEB”). The latest actuarial valuation of the employee group OPEB plan (EGOP) is as of July 1, 2019, and includes OPEB costs attributable to the State and, separately, for certain of its component units (including the Boards) that are required to participate in the State retirement and benefit plans. The study, which used the entry age normal actuarial cost method, indicates for the fiscal year ended June 30, 2020, the net OPEB liability of the University of Tennessee would be approximately \$155,506,815, while the net OPEB liability of the State University and Community College System would be approximately \$154,161,416. The report may be viewed at [Other Postemployment Benefits \(tn.gov\)](http://Other Postemployment Benefits (tn.gov)). Each participating employer in the plan, including the Boards, will be charged for their share of current and future OPEB costs through an actuarially determined contribution rate.

Historically, the State had not pre-funded any actuarially determined OPEB liability and instead used a pay-as-you-go funding arrangement for actual costs of OPEB liabilities incurred. However, pursuant to Sections 9-27-801, *et seq.* Tennessee Code Annotated, a trust (the “OPEB Trust”) was established and began operating effective January 1, 2019, whereby the State Employee Group Plan was converted to a prefunding arrangement where assets are accumulated in the OPEB Trust and benefit payments are made directly from the OPEB Trust. The State has the flexibility to adjust the benefits and premium sharing provisions provided by insurance plans and to adjust the various OPEB plan options and operations on an annual basis.

The trustees (the “Trustees”) of the OPEB Trust are the Commissioner of Finance and Administration, the chair of the Finance, Ways and Means Committee for the Senate, the chair of the Finance, Ways and Means Committee for the House of Representatives, and the State Treasurer, in his capacity as chair of the board of TCRS.

**Impact of COVID-19**

The worldwide spread of COVID-19, a respiratory illness caused by a novel strain of coronavirus, is a pandemic that has affected the entire world, including the State, and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The Governor of the State issued a state of emergency for the State in mid-March 2020 in response to the COVID-19 pandemic. The spread of COVID-19 has led to quarantine and other "social distancing" measures throughout the United States, including the State. These measures have included, from to time, (i) the closure of or limits on operations and capacity at educational, governmental, office, commercial and industrial buildings and facilities, (ii) the postponement or cancellation of large-scale gatherings, such as conventions and sporting events and (iii) recommendations and warnings to limit nonessential travel and promote remote work and learning. In response to the

pandemic, some or all of the Institutions have offered classes and other student services, from time to time, virtually, in-person and/or via a hybrid structure of remote and in-person offerings. Additionally, some or all of the Institutions' residence halls are operating at reduced capacity, and many extracurricular student activities have been limited, postponed or canceled. The State continues to be under a state of emergency, and the Governor of the State may continue to issue executive orders to facilitate continued response to the COVID-19 pandemic. As of January 22, 2021, the State Department of Health reported over 700,000 confirmed cases of COVID-19 in the State and over 8,700 deaths.

Multiple vaccines for the virus that causes COVID-19 were developed in late 2020. To date, two vaccines have been approved for distribution in the United States with both of these vaccines having an efficacy rate exceeding 90%. Although multiple variants of the virus that causes COVID-19 have been documented in the United States and globally, studies so far suggest that antibodies generated through vaccination with authorized vaccines recognize these variants to varying extents. Because of a shortage in the amount of vaccines available, however, only residents that the State has deemed eligible, based on their personal risk factors, can currently receive a vaccine. Eligibility to receive a vaccine may depend upon a person's occupation, age, health conditions and place of residence. To date, most State residents eligible to receive a vaccine are those who are 75 and older, who live in a long-term care facility or who are considered essential workers. It is unknown at this time when the COVID-19 vaccines will be available to all residents within the State and, when available, how many residents will choose to receive a vaccine.

The Authority and the Institutions are unable to predict: (i) the extent or duration of the COVID-19 outbreak, any recurrence thereof or any other epidemic or pandemic; (ii) the extent or duration of existing or additional quarantines, shutdowns, restrictions or other measures relating to COVID-19 or any other epidemic or pandemic; (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may disrupt the State, national or global economy or supply chain and how any such disruption may adversely affect the Authority or Institutions; (iv) any litigation involving the Institutions that may arise from circumstances related to or actions in response to the pandemic; (v) the impact of, or the timing of distribution of, the COVID-19 vaccines or (vi) when and if instruction and operations at the Institutions will return to their pre-COVID-19 levels. Moreover, there have often been varied responses to the pandemic across the Institutions due to particular circumstances and context, including any applicable restrictions at the county or municipal level. Given the evolving nature of the spread of the virus and the behavior of individuals, governments and businesses in response thereto, neither the Authority nor the Institutions can accurately predict the magnitude of the impact of COVID-19 on their operations or financial condition. The State is taking steps to mitigate the spread of COVID-19 within the State, including but not limited to the above-mentioned distribution of COVID-19 vaccines to eligible residents.

Although neither the Authority nor the Institutions can predict the magnitude of the impact of the COVID-19 pandemic, they are monitoring their operations and finances, as applicable.

#### *Impact on Operations*

From an operations perspective, the primary concern of the Authority and Institutions is ensuring that students and employees of the various entities remain healthy and that the Authority and Institutions are able to function effectively. The Institutions have enacted policies, based on guidelines issued by the Centers for Disease Control and Prevention, to mitigate the spread of COVID-19 within the Institutions. Such policies may include, from time to time, but are not limited to, the following: (i) substituting virtual instruction in place of in-person classes where determined by administration to be in the best interest of students, faculty and staff, (ii) requiring non-essential staff to work remotely, (iii) closing or limiting capacity at campus housing, (iv) limiting or canceling extracurricular activities, such as participation in and general attendance at sporting events and (v) other measures designed to eliminate large gatherings and promote social distancing. Students, faculty and staff found to be in violation of the Institutions' COVID-19 policies are subject to varying levels of discipline, including, for students, suspension and expulsion. Additionally, school calendars have been adjusted because of COVID-19 considerations, with many Institutions having offered shortened semesters since Spring 2020. Though operating under the restrictions noted above, all Institutions have remained open and operating since the onset of the pandemic.

#### *Impact on Financial Condition*

As has been the case for many, if not, all institutions of higher education, the Institutions have been financially impacted by the COVID-19 pandemic. Enrollment at Institutions has declined since the onset of the pandemic. Comparing Fall 2020 to Fall 2019 semesters, overall enrollment at the Institutions has decreased by approximately 3%. University enrollment remained relatively flat over this period, but community college enrollment decreased by approximately 10.3%. Overall first-time freshman enrollment at the Institutions was down approximately 8.1% in Fall 2020 as compared to Fall 2019. Fall-to-Fall retention rates across all Institutions, however, have remained fairly consistent since Fall 2019. As overall enrollment has decreased and online instruction has increased, there are fewer students in campus housing at the Institutions.

The transition of various campus operations from in-person to remote offerings and the limitation or elimination of various revenue-generating campus activities, along with an overall decrease in enrollment, have resulted in both increased expenses and decreased revenues for the Institutions. Since their pre-pandemic levels in 2019-20, there has been an overall 4.8% increase in expenses and 2.6% decrease in revenues across all Institutions. Total Fees and Charges collected by the Institutions decreased by 2.8% from 2019-20 to 2020-21. To date, for the Institutions overall, there has been an estimated total adverse fiscal impact of \$344.8 million as a result of the COVID-19 pandemic. Approximately \$48.5 million of this amount is attributable to refunds made to students as a result of altered campus operations. The remaining amounts are attributable to lost revenues and increased expenditures. A significant amount of the COVID-19-related expenditures were made as part of the initial shift to remote learning and work, and many of such expenditures are not expected to be recurring. The Institutions have also been able to reduce expenses by eliminating certain operating, travel and equipment expenses that are not necessary while operating under COVID-19 restrictions. There have been only very few layoffs, to date, and the COVID-19 pandemic has not resulted in a material reduction of faculty or staff at the Institutions.

Although the Boards generally raise tuition by an average of 3% each year, there was no tuition increase for the 2020-2021 school year. Donations (as measured by cash receipts) to the Board of Trustees' Institutions for fiscal year 2019-2020 have decreased by approximately 2.9% or \$4 million since the 2018-2019 fiscal year. Donations (as measured by cash receipts and in-kind gifts) to the Board of Regents' Institutions have increased by approximately 16.5% or \$11.6 million in fiscal year 2019-2020 as compared to the 2018-2019 fiscal year. Donations to Institutions are not used to fund operations and are instead generally used to fund scholarships and campus capital improvements. To mitigate the impact of the COVID-19 pandemic, the Institutions initiated a campaign in 2020 to encourage enrollment at Institutions among those who have lost their jobs during the pandemic and have been unable to return to the workforce.

Despite the widespread financial impact of the pandemic, overall State revenue collections for fiscal year 2020-2021, to date, have exceeded budgeted amounts, and the State has maintained its level of funding for the Institutions for the 2020-2021 budget year. Projected recurring State appropriations for Institutions for the 2020-2021 budget year are 1% higher than those for the 2019-2020 budget year. No assurances may be made that the State will continue its current level of funding of the Institutions.

The Institutions received approximately \$191.5 million in Higher Education Emergency Relief Funds (or "HEER I Funds") in March 2020 in connection with the federal Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). Of this amount, approximately \$84.5 million were used to make direct emergency financial aid grants to students for expenses related to the disruption of campus operations caused by the coronavirus, including cost of attendance, such as food, housing, course materials, technology, health care and childcare. This portion of the HEER I funds could not be used to reimburse Institutions for room and board, tuition or other fees. Remaining funds of \$107 million were applied by Institutions toward costs associated with significant changes in instructional delivery due to the pandemic. These funds could be used for reimbursement for refunds to students for room and board, tuition and other fees, purchasing equipment and software, internet service to enable students to transition to distance learning, and for additional emergency aid to affected students. Pursuant to the CARES Act, the HEER I Funds were not initially allowed to be applied to any revenue losses sustained by Institutions as a result of the pandemic. Though no guarantees may be made, the Institutions expect to receive an additional \$308.1 million in Higher Education Emergency Relief funds ("HEER II Funds") from the federal government in early 2021 as part of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021. At least \$84.5 million of these HEER II Funds must be used to make direct emergency aid grants to students for expenses related to the disruption of campus operations caused by the coronavirus, including cost of attendance expenses, such as food, housing, course materials, technology, health care and childcare. Unlike previous restrictions on HEER I Funds, it is possible that the institutional portion of such HEER II Funds may be used to cover revenue losses sustained by the Institutions. It is also possible, depending on evolving federal regulations, that the institutional portion of any remaining HEER I Funds may also be used to cover revenue losses. In addition, Institutions received approximately \$20 million from the State's Coronavirus Relief Fund to help address costs of the pandemic. Such monies were used to increase social distancing on campus or transition to online learning.

See page "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Revolving Credit Loans" herein for information regarding the Authority's short-term borrowing capacity and APPENDIX B: TENNESSEE STATE SCHOOL BOND AUTHORITY SELECTED STATISTICAL INFORMATION – "Coverage of Annual Financing Charges and Administrative Fees for Long-Term Debt Secured By Financing Agreements" for information on the historical debt service coverage of the Bonds (both including and excluding Legislative Appropriations). Though no guarantees may be offered, the Authority expects to be able to finance Institution projects and make timely debt service payments on the Offered Bonds and other Bonds if unexpected changes to revenues and expenses of the Institutions occur.

## Cybersecurity

The Authority and the Institutions utilize various computer systems and network technology to perform many of their vital operations. Such operations often include the storage and transmission of sensitive information. As a result, the Authority and/or the Institutions may be the target of cyberattacks attempting to gain access to such information. In addition to intentional attacks, information breaches may occur due to unintentional user error. A successful cyberattack or unintentional breach may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt State and/or campus services and operations and subject the Institutions and/or the State to legal action. Attempted cybersecurity attacks, whether anonymous or targeted, occur on a periodic frequency that is not uncommon to organizations or entities similar to the Authority and the Institutions. To mitigate against such risks, the State and its departments, agencies, and divisions, including Institutions, have instituted various technical controls, policies and procedures to protect their network infrastructure, including a cybersecurity training requirement for certain departments, as well as general cybersecurity training and awareness for all employees. The Strategic Technology Solutions Division of the State's Department of Finance and Administration works with various State departments, agencies and divisions, as necessary, to develop specific cybersecurity policies and procedures. Using a framework provided by the National Institute of Standards and Technology, each Institution has developed its own set of cybersecurity policies and procedures that are submitted to the State. The State also maintains third-party insurance against cybersecurity incidents, and such coverage includes the Institutions.

Certain of the Institutions have experienced varying levels of cyberattacks and unintentional network breaches, some of which have resulted in the inability to use certain computer systems, the misdirection of monies and the disclosure of personally identifiable information, including social security numbers. One university experienced a cyberattack that caused \$1.4 million intended for a vendor to be misdirected to another party. In response to such attacks and breaches, the Institutions have, where applicable, revised cybersecurity policies and procedures, increased cybersecurity training for employees, engaged third-party cyberincident responders, provided free credit report monitoring for affected individuals and, in the case of the misdirected vendor payment, submitted a claim to the insurance provider. Despite the State's, including the Institutions', measures to safeguard their network infrastructure from any future incidents, there are no guarantees that such measures will be successful.

## **REVIEW AND APPROVAL PROCESS FOR FINANCING OF PROJECTS BY AUTHORITY**

For the purpose of carrying out the programs authorized by the Act and to permit the Authority to undertake the financing of Projects, the Authority's existing policy generally requires the review and approval of a project by different bodies of State government prior to the Authority's approval of a project undertaken for either the Board of Trustees or the Board of Regents.

The review and approval process is undertaken in the following sequence:

(1) A Project request is initiated by an Institution. Such Project is expected to relate to that Institution's five-year capital construction plan, if applicable.

(2) The Project is reviewed by the Board of Trustees or the Board of Regents, as the case may be, and, if approved, is forwarded to the Tennessee Higher Education Commission and to the Authority.

(3) The Tennessee Higher Education Commission undertakes a review of the Project to determine its educational need and compatibility with the Institution's master plan. The Commission then forwards its comments and recommendations to the Commissioner of Finance and Administration and the State Building Commission. At the same time, the Authority staff undertakes a review of the Project's financial feasibility to determine if sufficient revenue has been pledged to cover the debt service for that project. The staff then forwards its comments and recommendations to the State Building Commission.

(4) The Project is then presented to the State Building Commission for approval of funding. The State Building Commission is an agency of the State whose permanent members consist of the Governor, Lieutenant Governor, Speaker of the House of Representatives, Comptroller of the Treasury, Secretary of State, State Treasurer and Commissioner of Finance and Administration. The State Architect serves as its Chief Staff Officer.

(5) Upon approval by the State Building Commission, the Project is forwarded to the Authority which considers the Project for inclusion under the Second Program Financing Agreement with the Board of Trustees or the Board of Regents, as the case may be.

(6) Upon approval for funding by the Authority, the Project proceeds immediately to detailed architectural design. When planning and specifications are complete, they are then forwarded to the State Architect's office for review and submission to the State Building Commission for approval.

Institutions may bring financings for the purchase of large equipment and computer software directly to the Authority. Depending on the average life of the item financed it may be amortized under the Revolving Credit Agreement or through long-term or short-term fixed rate debt.

## **RATINGS**

Moody's Investors Service Inc. ("Moody's") has assigned the Offered Bonds an enhanced rating of "Aa1", with a stable outlook, based in part on its assignment to the Authority's Legislative Appropriations intercept program (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Legislative Appropriations") of a programmatic rating of "Aa1", with a stable outlook. S&P Global Ratings, a subsidiary of S&P Global Inc. ("S&P"), has assigned the Offered Bonds a rating of "AA+", with a stable outlook. Fitch Ratings, Inc. ("Fitch") has assigned the Offered Bonds a rating of "AA+", with a stable outlook. A rating is not a recommendation to buy, sell or hold the Offered Bonds and there is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such revision or withdrawal may have an adverse effect on the market price of the Offered Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007; S&P Global Ratings, 55 Water Street, New York, New York 10004; and Fitch Ratings, One State Street Plaza, New York, New York, 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Such ratings are not a recommendation to buy, sell or hold the Offered Bonds and may be subject to revision or withdrawal at anytime.

## **LITIGATION**

There is no controversy or litigation of any nature now pending or threatened against the Authority to restrain or enjoin the issuance, sale, execution or delivery of the Offered Bonds or the financing of the Projects or the application of the proceeds of the Offered Bonds, or in any way contesting or affecting the validity of the Offered Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, the Financing Agreements, or the pledge or application of any monies or security provided for the payment of the Offered Bonds or the existence powers of the Authority, the Board of Regents or the Board of Trustees. The Board of Regents and the Board of Trustees are engaged in litigation of various natures. However, there is no litigation pending or threatened to restrain or enjoin the financing of the Projects or contesting or affecting the validity of any proceedings of the Board of Regents or the Board of Trustees taken with respect to the Financing Agreements, or the pledge or application of any monies or security provided for the payment of the Annual Financing Charges.

## **TAX MATTERS**

### **Federal Tax Matters**

#### *General*

In the opinion of Hawkins Delafield, & Wood LLP, Bond Counsel to the Authority, interest on the Offered Bonds is included in gross income for federal income tax purposes pursuant to the "Code." Bond Counsel expresses no opinion regarding any other federal tax consequences with respect to the federally Taxable Offered Bonds. For the proposed form of opinion of Bond Counsel relating to federal tax matters, see Appendix H.

The following is a brief summary of the principal United States federal income tax consequences of the acquisition, ownership and disposition of Offered Bonds by original purchasers of the Offered Bonds who are "U.S. Holders", as defined herein. This summary (i) is based on the Code, Treasury Regulations, revenue rulings and court decisions, all as currently in effect and all subject to change at any time, possibly with retroactive effect; (ii) assumes that the Offered Bonds will be held as "capital assets" and (iii) does not describe all of the federal income tax consequences that may be relevant to a U.S. Holder in light of its particular circumstances or to U.S. Holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Offered Bonds as a

position in a “hedge” or “straddle”, U.S. Holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar, U.S. Holders who acquire Offered Bonds in the secondary market, or individuals, estates and trusts subject to the tax on unearned income imposed by Section 1411 of the Code.

Certain taxpayers that are required to prepare certified financial statements and file financial statements with certain regulatory or governmental agencies may be required to recognize income, gain or loss with respect to the Offered Bonds at the time that such income, gain or loss is taken into account on such financial statements instead of under the rules described below.

U.S. Holders of Offered Bonds should consult with and rely upon their own tax advisors concerning the federal income tax and other consequences with respect to the acquisition, ownership and disposition of the Offered Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

#### *Disposition and Defeasance*

Generally, upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of an Offered Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder’s adjusted tax basis in the Offered Bond.

The Authority may cause the deposit of moneys or securities in escrow in such amount and manner as to cause the Offered Bonds to be deemed to be no longer outstanding under the Resolution (a “defeasance”). (See Appendix E, “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION” herein). For federal income tax purposes, such defeasance could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, the character and timing of receipt of payments on the Offered Bonds subsequent to any such defeasance could also be affected.

#### *Information Reporting and Backup Withholding*

In general, information reporting requirements will apply to non-corporate U.S. Holders of the Offered Bonds with respect to payments of principal, payments of interest, and the accrual of OID on an Offered Bond and the proceeds of the sale of an Offered Bond before maturity within the United States. Backup withholding may apply to U.S. Holders of Offered Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s federal income tax provided the required information is furnished to the Internal Revenue Service.

#### *U.S. Holders*

The term “U.S. Holder” means a beneficial owner of an Offered Bond that is: (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to the federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

#### *Miscellaneous*

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Offered Bonds under state law and could affect tax market price or marketability of the Offered Bonds.

Prospective purchasers of the Offered Bonds should consult their own tax advisors regarding the foregoing matters.

#### **State of Tennessee Tax Matters**

In the opinion of Bond Counsel to the Authority, under existing laws of the State, the Offered Bonds and the interest thereon are exempt from taxation by the State or any county, municipality or political subdivision of the State, except for estate and gift taxes and taxes on transfers, and except to the extent included within the measure of franchise and excise taxes.

Bond Counsel expresses no opinion regarding any other state or local tax consequences with respect to the Offered Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel under state and local tax law.

For the proposed form of opinion of Bond Counsel relating to State tax matters, see Appendix H.

## **FINANCIAL ADVISOR**

PFM Financial Advisors LLC (“PFM”) is employed by the Authority to perform professional services in the capacity of financial advisor. In its role as financial advisor to the Authority, PFM has provided advice on the plan of financing and structure of the Offered Bonds, and reviewed certain legal and disclosure documents, including this Official Statement, for financial matters. PFM has not independently verified the factual information contained in this Official Statement, but relied on the information supplied by the Authority and other sources and the Authority’s certification as to the Official Statement.

## **VERIFICATION AGENT**

The arithmetical accuracy of certain computations included in the schedules provided by PFM on behalf of the Authority relating to computation of the sufficiency of cash and forecasted receipts of principal and interest on the securities on deposit under the Refunding Trust Agreement to pay the forecasted payments of Redemption Prices of and interest on and prior to the redemption dates of the Refunded Bonds was examined by Robert Thomas CPA, LLC. Such computations were based solely upon assumptions and information supplied by PFM on behalf of the Authority. Robert Thomas CPA, LLC. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

## **LEGAL OPINIONS**

The validity of the Offered Bonds is subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. For the form of proposed Bond Counsel opinion relating to the Offered Bonds, see Appendix H. Certain legal matters will be passed upon by the Attorney General and Reporter of the State of Tennessee, as counsel to the Authority, and by Bass, Berry & Sims PLC, as counsel to the Underwriters. No representation is made to the holders of the Offered Bonds that such counsel have verified the accuracy, completeness or fairness of the statements in this Official Statement, and such counsel assume no responsibility to the holders of the Offered Bonds except for the matters that will be set forth in their respective opinions.

## **ADDITIONAL INFORMATION; CONTINUING DISCLOSURE**

Additional information relating to the Authority is contained in its audited financial statements. The audited financial statements of the Authority for fiscal years ended June 30, 2019 and 2020 are included herein as Appendix A. Audited financial statements for certain prior years are available on the website of the Tennessee Comptroller of the Treasury and have been filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system.

Additional information relating to the Institutions is included in the audited financial statements of the State, including component unit reporting of The University of Tennessee system and the Board of Trustees of the University of Tennessee, and of the State University and Community College System of the State of Tennessee and the Tennessee Board of Regents, showing information of the type described in the Statement of Net Position, and Statement of Revenues, Expenditures and Changes in Net Position. Financial statements of the State for fiscal year 2019-2020 and for certain prior years are available on the website of the Tennessee Comptroller of the Treasury and have been filed with EMMA.

The Authority has authorized a Continuing Disclosure Undertaking (the “Undertaking”) with respect to the Offered Bonds to assist the Underwriters in complying with U.S. Securities and Exchange Commission Rule 15c2-12(b)(5). The Undertaking is for the benefit of the holders of the Offered Bonds; beneficial owners of the Offered Bonds will be third-party beneficiaries of the Undertaking. In the Undertaking, the Authority will agree to provide certain financial information and operating data by specified dates, and to provide notice of certain enumerated events with respect to the Offered Bonds. The specific nature of the information to be provided and the notices of enumerated events, and where they will be filed, is described in the summary of certain provisions of the Undertaking, attached hereto as Appendix G.

Within the preceding five (5) years, certain local government audits required to be filed by the Authority with nationally recognized municipal securities repositories pursuant to previous Rule 15c2-12 continuing disclosure undertakings were not timely filed on EMMA because they were not available, but were filed on EMMA when available.

## UNDERWRITING

Jefferies LLC., on behalf of itself and other underwriters shown on the front cover of this Official Statement (collectively, the “Underwriters”), has agreed, subject to certain conditions, to purchase the Offered Bonds pursuant to a Bond Purchase Agreement (the “Purchase Agreement”). The Underwriters will purchase the Offered Bonds at a purchase price of \$712,891,869 (representing the principal amount of the Offered Bonds of \$713,365,000, less Underwriters discount of \$473,131).

The Purchase Agreement provides that the Underwriters shall purchase all of the Offered Bonds if any are purchased, subject to the conditions contained therein. The Offered Bonds may be offered and sold to certain dealers, banks and others at prices different than the offering prices indicated on the inside front cover page hereof, and such offering prices may be changed from time to time.

Jefferies has entered into a distribution agreement with 280 Securities LLC (“280 Securities”) for the retail distribution of municipal securities. Pursuant to the agreement, if Jefferies sells Offered Bonds to 280 Securities, it will share a portion of its selling concession compensation with 280 Securities.

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

Morgan Stanley & Co. LLC, one of the Underwriters of the Offered 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 Offered Bonds.

Piper Sandler & Co. has entered into a distribution agreement with Charles Schwab & Co. Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to this agreement, CS&Co. will purchase the Offered Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Offered Bonds that CS&Co. sells.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Finance Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

Wells Fargo Bank, National Association, acting through its Municipal Finance Group (“WFBNA”), one of the Underwriters of the Offered Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”), for the distribution of certain municipal securities offerings, including the Offered Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Offered Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Offered Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, 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 Authority. The Underwriters and their 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.

In addition, affiliates of some of the Underwriters are lenders to the Authority, and in some cases agents or managers for the lenders, under the Revolving Credit Loan Agreement. Affiliates of the Underwriters may in the aggregate receive more than 10% of the proceeds of this offering, including as a result of the repayment of the Authority's Revolving Credit Loans under the Revolving Credit Agreement.

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

## **FORWARD-LOOKING STATEMENTS**

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

## **MISCELLANEOUS**

All quotations from, and summaries and explanations of, the Act, the Financing Agreements, the Resolution, and the Undertaking contained herein do not purport to be complete and reference is made to each for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Any statements in this Official Statement involving matters of estimate or opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Offered Bonds.

## **TENNESSEE STATE SCHOOL BOND AUTHORITY**

By: */s/ Jason E. Mumpower*  
Comptroller of the Treasury;  
Secretary to the Authority

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## FINANCIAL STATEMENTS OF THE AUTHORITY

The Tennessee State School Bond Authority Comprehensive Annual Financial Report (“Authority CAFR”), including the audited Basic Financial Statements, for the fiscal year ended June 30, 2020 has been filed with the Municipal Securities Rulemaking Board (the “MRSB”) through its Electronic Municipal Market Access (“EMMA”) system (see “ADDITIONAL INFORMATION; CONTINUING DISCLOSURE” in the Official Statement) and is obtainable from the MSRB in accordance with its procedures. A printed version is also available upon request to the Tennessee State School Bond Authority, 425 Rep. John Lewis Way N, 4<sup>th</sup> Floor, Nashville, Tennessee 37243, telephone (615) 401-7872, fax (615) 741-5986. The 2020 Authority CAFR and certain prior year Authority CAFRs are posted on the Authority’s website at <https://www.comptroller.tn.gov/boards/tennessee-state-school-bond-authority/investor-information/tssba-financial-reports.html>.

The following reports, each of which are included in the CAFR and have been posted on the Authority’s website, are incorporated herein by reference:

Independent Auditor’s Report

Management’s Discussion and Analysis

Basic Financial Statements:

Statements of Net Position

Statements of Revenues, Expenses and Changes in Net Position

Statements of Cash Flows

Notes to the Financial Statements

Supplementary Schedules:

Supplementary Schedules of Net Position – Program Level

Supplementary Schedules of Revenues, Expenses, and Changes in Net Position – Program Level

Supplementary Schedules of Cash Flows – Program Level

### Other Financial Statements

The State of Tennessee Comprehensive Annual Financial Report (“State CAFR”), including component unit reporting of The University of Tennessee system and the Board of Trustees of the University of Tennessee, and of the State University and Community College System of the State of Tennessee and the Tennessee Board of Regents, showing of the type described in the Statement of Net Position, Statement of Activities, and Statement of Revenues, Expenditures and Changes in Fund Balances, for the fiscal year ended June 30, 2020 has been filed with EMMA and is obtainable from the MSRB in accordance with its procedures. A printed version is also available upon request to the Authority, as described above. The 2019 State CAFR and certain prior year State CAFRs are posted on the website of the Tennessee Department of Finance and Administration <https://www.tn.gov/finance/rd-doa/fa-accfin-cafr.html>. The State CAFR and such component unit reporting is required to be filed annually with EMMA pursuant to the Authority’s continuing disclosure obligations as described in this Official Statement under “ADDITIONAL INFORMATION; CONTINUING DISCLOSURE” and in APPENDIX G – “SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE UNDERTAKING.”

The most recent audited financial statements for the schools under the supervision of the Board of Trustees and Tennessee Board of Regents are posted on the website of the Comptroller of the Treasury of the State of Tennessee, Division of State Audit, at <https://www.comptroller.tn.gov/office-functions/state-audit.html>. Universities are audited on an annual basis and Community Colleges and CATs are audited on a biennial basis. Audits are prepared on a rolling basis and are published as they become available. These financial statements are not required to be filed with EMMA as part of the Authority’s continuing disclosure obligations as described in this Official Statement under “ADDITIONAL INFORMATION; CONTINUING DISCLOSURE” and in APPENDIX G – “SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE UNDERTAKING.”

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**TENNESSEE STATE SCHOOL BOND AUTHORITY  
SELECTED STATISTICAL INFORMATION**

The information in this Appendix B includes selected statistical information relating to the Boards, the Institutions and their component institutions. For a discussion of certain impacts of the COVID-19 Pandemic, see “TENNESSEE PUBLIC HIGHER EDUCATION – Impact of Covid-19” in this Official Statement. No assurance can be provided that the results included in this Appendix B will be indicative of future results.

**Authority Second Program Bond Debt Service and Other Requirements  
Secured by Financing Agreements  
(Excluding Revolving Credit Loans)  
(Expressed in Thousands)**

12 Months Ending June 30	Bond Debt Service <sup>1</sup>	Admin. Expense <sup>1,2</sup>	Annual Debt Service and Admin. Exp. <sup>1</sup>
2021	29,259	3,338	32,597
2022	134,789	3,322	138,111
2023	142,133	3,164	145,297
2024	135,853	2,980	138,833
2025	134,133	2,803	136,936
2026	132,167	2,623	134,790
2027	124,330	2,440	126,770
2028	119,859	2,267	122,126
2029	113,255	2,097	115,352
2030	110,242	1,933	112,175
2031	95,152	1,771	96,923
2032	94,974	1,635	96,609
2033	88,872	1,496	90,368
2034	86,191	1,366	87,557
2035	81,499	1,237	82,736
2036	81,498	1,115	82,613
2037	75,530	989	76,519
2038	73,385	871	74,256
2039	67,346	754	68,100
2040	65,527	645	66,172
2041	60,317	536	60,853
2042	58,096	433	58,529
2043	44,880	332	45,212
2044	40,392	254	40,646
2045	34,281	182	34,463
2046	26,591	120	26,711
2047	14,383	72	14,455
2048	14,381	46	14,427
2049	5,351	19	5,370
2050	5,246	10	5,256
	<u>\$ 2,289,912</u>	<u>\$ 40,850</u>	<u>\$ 2,330,762</u>

Source - TSSBA (Unaudited)

<sup>1</sup> Includes the Offered Bonds and excludes the 2021A Refunded Bonds. See "THE AUTHORITY - Outstanding Indebtedness of the Authority" for total outstanding Bonds.

<sup>2</sup> Admin. expense is a fee imposed by the Authority on the Institutions estimated at the rate of 20 bps on the outstanding indebtedness of the Authority. The Authority has the right to change the amount charged based on actual expenses.

**Principal Amount of Debt Outstanding by Institution**

**(Unaudited)**

**As of December 31, 2020**

<b>Institutions</b>	<b>Authority Debt</b>		<b>Total Debt</b>
	<b>Bonds<sup>1</sup></b>	<b>Revolving Credit Loans<sup>2</sup></b>	
University of Tennessee System	\$ 990,468,078	\$ 42,155,742	\$ 1,032,623,820
Tennessee Board of Regents System	678,366,922	34,399,265	712,766,187
<b>TOTAL</b>	<b>\$ 1,668,835,000</b>	<b>\$ 76,555,007</b>	<b>\$ 1,745,390,007</b>

Source - TSSBA (Unaudited)

<sup>1</sup> Adjusted to include the Offered Bonds and exclude the 2021A Refunded Bonds. See "THE AUTHORITY - Outstanding Indebtedness of the Authority" for total outstanding Bonds (unaudited).

<sup>2</sup> Outstanding Revolving Credit Loans balance is as of December 31, 2020 which excludes \$7,125,683 of Revolving Credit Loans not allocated to Institutions

**University and College Funds**  
**Statement of Fees/Charges, Legislative Appropriations**  
**And Debt Service for the Last Ten Years**

The Total Fees and Charges and Legislative Appropriations (in some cases, as amended by the General Assembly) set forth in the following tables are applied to pay the cost of operation and maintenance of the following Institutions as well as the Debt Service Requirements<sup>2</sup> (excluding Revolving Credit Loans and the Offered Bonds) listed below. (Fiscal Years ended June 30) (Dollar amounts are expressed in thousands).

**UNIVERSITY OF TENNESSEE SYSTEM**

Fiscal Year	Total Fees and Charges	Legislative Appropriations <sup>1</sup>	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements <sup>2</sup> (Authority Bonds)
2020	\$ 817,648	\$ 636,000	-	\$ 84,562
2019	817,648	612,411	-	83,887
2018	802,063	572,915	-	76,662
2017	778,509	532,161	-	73,722
2016	746,986	503,606	-	70,543
2015	700,757	479,221	-	55,553
2014	691,600	471,104	-	55,821
2013	658,079	435,446	-	52,859
2012	584,147	412,806	-	51,469
2011	685,003	407,356	-	48,256

**TENNESSEE BOARD OF REGENTS SYSTEM**

Fiscal Year	Total Fees and Charges	Legislative Appropriations <sup>1</sup>	Prior and Subordinate Debt Service Requirements (Non Authority)	Debt Service Requirements <sup>2</sup> (Authority Bonds)
2020	\$ 1,467,540	\$ 892,751	-	\$ 62,355
2019	1,467,540	840,812	-	57,292
2018	1,385,505	784,012	-	56,107
2017	1,131,352	720,388	-	57,511
2016	1,102,572	675,048	-	56,299
2015	1,158,289	644,099	-	52,404
2014	1,057,701	646,251	-	53,350
2013	1,035,821	608,454	-	49,484
2012	1,216,903	582,094	1,399	45,016
2011	1,143,916	577,648	1,399	43,366

Source - TSSBA, Institutions, and the Tennessee Department of Finance & Administration (Unaudited)

<sup>1</sup> Appropriations for operation and maintenance, including employer social security and retirement contributions for the respective systems (including the respective schools and Boards).

<sup>2</sup> Debt Service Requirements consist only of principal and interest. Excludes the Offered Bonds and included the 2021A Refunded Bonds.

**State of Tennessee**  
**Coverage of Annual Financing Charges and Administrative Fees for**  
**Long-Term Debt Secured By Financing Agreements<sup>1</sup>**

**College and University Funds**

**For the Last Ten Years**

(Expressed in Thousands)

**UNIVERSITY OF TENNESSEE SYSTEM**

Fiscal Year	Total Fees and Charges	Legislative Appropriations <sup>2</sup>	Annual Financing Charges <sup>3</sup>	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
2020	\$ 817,336	\$ 636,000	\$ 85,929	9.51 X	16.91 X
2019	817,348	612,411	85,606	9.55 X	16.70 X
2018	802,063	573,017	85,031	9.43 X	16.17 X
2017	780,867	527,569	74,793	10.44 X	17.49 X
2016	746,986	499,862	74,965	9.96 X	16.63 X
2015	700,757	475,416	56,855	12.33 X	20.69 X
2014	691,600	467,845	56,764	12.18 X	20.43 X
2013	609,399	432,636	53,855	11.32 X	19.35 X
2012	584,147	411,729	51,984	11.24 X	19.16 X
2011	685,003	584,787	41,583	16.47 X	30.54 X

**TENNESSEE BOARD OF REGENTS SYSTEM**

Fiscal Year	Total Fees and Charges	Legislative Appropriations <sup>2</sup>	Annual Financing Charges <sup>3</sup>	Coverage By:	
				Fees & Charges	Fees, Charges, & Appropriations
2020	\$ 1,430,945	\$ 892,751	\$ 63,716	22.46 X	36.47 X
2019	1,467,541	840,812	58,846	24.94 X	39.23 X
2018	1,385,505	687,307	58,271	23.78 X	35.57 X
2017	1,131,352	769,801	58,212	19.44 X	32.66 X
2016	1,102,572	660,789	58,754	18.77 X	30.01 X
2015	1,158,289	578,734	53,707	21.57 X	32.34 X
2014	1,057,701	644,437	54,346	19.46 X	31.32 X
2013	1,035,821	621,841	50,530	20.50 X	32.81 X
2012	1,216,903	501,867	46,048	26.43 X	37.33 X
2011	1,143,916	660,608	40,430	28.29 X	44.63 X

Source - TSSBA, Institutions, and the Tennessee Department of Finance & Administration (Unaudited)

<sup>1</sup> Excludes Revolving Credit Loans

<sup>2</sup> Appropriations for operation and maintenance, including employer social security and retirement contributions for the respective systems (including the respective schools and Boards).

<sup>3</sup> Annual Financing Charges consist of principal, interest and administrative fees. Excludes the Offered Bonds and includes the 2021A Refunded Bonds.

**University and College**  
**Per Student Fees and Charges**  
**(2019 – 2020 Academic Year)**

Student Fees and Charges are the largest component of total Fees and Charges received by schools. Other Fees and Charges include rental revenue and other charges for use of certain Projects by faculty, administration, the public at large, and other users.

<b>Institutions</b>	<b>Debt Service Fees<sup>1</sup></b>	<b>In-State Student Tuition &amp; Mandatory Fees</b>	<b>Non-Resident Student Tuition &amp; Mandatory Fees<sup>2</sup></b>	<b>Average Room Charge</b>	<b>Average Board Charge</b>
UT Chattanooga (UG - Soar in Four) <sup>3</sup>	\$300	\$9,656	\$25,774	\$7,512	\$4,030
UT Chattanooga (UG - Returning)	\$300	\$8,880	\$24,998	\$5,044	\$3,894
UT Knoxville	\$438	\$13,264	\$31,684	\$5,826	\$3,460
UT Martin	\$380	\$9,748	\$15,788	\$4,076	\$4,348
Austin Peay State University	\$274	\$8,627	\$14,171	\$5,760	\$4,806
East Tennessee	\$470	\$9,491	\$28,673	\$5,760	\$4,806
Middle Tennessee State University	\$408	\$9,424	\$29,038	\$2,400	\$1,600
Tennessee State University	\$178	\$8,183	\$21,539	\$2,400	\$1,600
Tennessee Tech (admitted prior to Fall 2020)	\$258	\$9,318	\$13,518	\$6,300	\$3,200
Tennessee Tech (admitted in Fall 2020) <sup>4</sup>	\$258	\$10,338	\$14,538	\$6,300	\$3,200
University of Memphis (Undergrad Non-guaranteed) <sup>5</sup>	\$490	\$9,912	\$16,764	\$7,514	\$4,342
University of Memphis (Undergrad Guaranteed)	\$490	\$9,936	\$16,794	\$3,065	\$3,652
Chattanooga State Community College	\$0	\$4,568	\$22,016	N/A	N/A
Cleveland State Community College	\$0	\$4,548	\$21,996	N/A	N/A
Columbia State Community College	\$44	\$4,582	\$22,030	N/A	N/A
Dyersburg State Community College	\$0	\$4,548	\$21,996	N/A	N/A
Jackson State Community College	\$0	\$4,534	\$21,982	N/A	N/A
Motlow State Community College	\$0	\$4,554	\$22,002	N/A	N/A
Nashville State Community College	\$0	\$4,504	\$21,952	N/A	N/A
Northeast State Technical Community College	\$0	\$4,560	\$22,008	N/A	N/A
Pellissippi State Technical Community College	\$30	\$4,588	\$22,036	N/A	N/A
Roane State Community College	\$0	\$4,552	\$22,000	N/A	N/A
Southwest Tennessee Community College	\$0	\$4,568	\$22,016	N/A	N/A
Volunteer State Community College	\$0	\$4,542	\$21,990	N/A	N/A
Walters State Community College	\$0	\$4,537	\$21,985	N/A	N/A

Source – Tennessee Higher Education Commission

<sup>1</sup> Debt Service Fees represent an additional charge by certain institutions to cover a portion of such Institution's debt service obligations on certain indebtedness, including Bonds. Institutions which do not impose a separate Debt Service Fee may include similar charges as a portion of a student's maintenance fees.

<sup>2</sup> Represents charges paid to domestic, non-resident students. For many institutions, international students pay a different rate.

<sup>3</sup> Beginning in Fall 2019, first-time, full-time students enrolled at UT Chattanooga began to be charged a flat rate for 15 credit hours per semester, regardless of how many hours are taken. Returning and part-time students began to be charged a flat rate for 12 credit hours per semester, regardless of how many hours are taken.

<sup>4</sup> Beginning in Fall 2020, full-time students admitted at Tennessee Technological University began to be charged a flat rate for 15 credit hours per semester, regardless of the number of hours taken. Returning and part-time students began to be charged a per credit hour rate for the first 12 credit hours and a discounted rate for additional hours.

<sup>5</sup> Beginning in Fall 2019, the University of Memphis began to offer a "guaranteed tuition" option to undergraduate students. All incoming first-time, full-time freshmen are eligible to enroll in the guaranteed tuition plan, which guarantees the Fall 2019 tuition rate for eight consecutive regular semesters if they take at least 12 student credit hours per semester.

**Tennessee Higher Education Commission**  
**History of Fall Term Full-Time Equivalent Enrollment in Public Higher Education Schools**

School <sup>1</sup>	2014	2015	2016	2017	2018	2019	% Change	
							2018-2019	2014-2019
<b>Four Year Institutions</b>								
APSU	8,241	8,180	8,466	8,278	8,856	8,620	-2.7%	4.6%
ETSU*	12,295	12,347	12,310	12,567	12,687	12,525	-1.3%	1.9%
MTSU	18,787	18,362	18,177	17,957	17,745	17,817	0.4%	-5.2%
TSU	7,388	7,639	7,342	7,189	6,552	6,417	-2.1%	-13.1%
TTU	9,983	9,569	9,208	9,043	8,918	8,841	-0.9%	-11.4%
UM	16,554	16,112	16,744	16,535	16,197	16,479	1.7%	-0.4%
<b>LGI Total</b>	<b>73,247</b>	<b>72,209</b>	<b>72,247</b>	<b>71,568</b>	<b>70,955</b>	<b>70,700</b>	<b>-0.4%</b>	<b>-3.5%</b>
UT Chattanooga	10,029	9,886	10,029	10,301	10,380	10,514	1.3%	4.8%
UT Knoxville**	24,107	24,601	24,827	25,212	25,673	26,256	2.3%	8.9%
UT Martin	6,273	5,989	5,670	5,719	5,582	5,647	1.2%	-10.0%
UT Health Science	2,977	3,075	3,097	3,200	3,284	3,250	-1.0%	9.2%
<b>UT Total</b>	<b>43,386</b>	<b>43,551</b>	<b>43,623</b>	<b>44,431</b>	<b>44,919</b>	<b>45,667</b>	<b>1.7%</b>	<b>5.3%</b>
<b>Total 4 Year</b>	<b>116,633</b>	<b>115,761</b>	<b>115,870</b>	<b>115,999</b>	<b>115,874</b>	<b>116,367</b>	<b>0.4%</b>	<b>-0.2%</b>
<b>Two Year Schools<sup>2</sup></b>								
Chattanooga	5,901	6,190	5,743	5,526	5,630	5,383	-4.4%	-8.8%
Cleveland	2,316	2,413	2,282	2,096	2,201	2,341	6.4%	1.1%
Columbia	3,263	3,634	3,816	4,033	4,361	4,465	2.4%	36.8%
Dyersburg	1,678	1,690	1,694	1,705	1,747	1,742	-0.3%	3.8%
Jackson	2,825	2,907	2,968	2,931	3,039	3,135	3.2%	10.9%
Motlow	2,984	3,654	4,152	4,485	4,557	4,571	0.3%	53.2%
Nashville	5,807	6,272	5,588	5,107	5,173	4,984	-3.7%	-14.2%
Northeast	3,888	4,215	4,250	4,261	4,281	4,176	-2.4%	7.4%
Pellissippi	6,644	6,755	6,645	7,206	7,202	6,972	-3.2%	4.9%
Roane	3,777	3,891	3,788	3,652	3,925	3,983	1.5%	5.5%
Southwest	6,355	6,169	5,624	6,138	6,142	6,049	-1.5%	-4.8%
Volunteer	4,747	5,406	5,869	6,008	6,253	6,148	-1.7%	29.5%
Walters	4,008	4,074	4,086	4,206	4,203	4,259	1.3%	6.3%
<b>Total 2 Year</b>	<b>54,192</b>	<b>57,269</b>	<b>56,505</b>	<b>57,355</b>	<b>58,713</b>	<b>58,207</b>	<b>-0.9%</b>	<b>7.4%</b>
<b>Grand Total</b>	<b>170,825</b>	<b>173,030</b>	<b>172,375</b>	<b>173,354</b>	<b>174,587</b>	<b>174,575</b>	<b>0.0%</b>	<b>2.2%</b>

**Five-Year Annual Growth Rate**  
**0.4%**

Source - Tennessee Higher Education Commission (Unaudited)

\* ETSU includes the Medical and Pharmacy schools

\*\*The University of Tennessee, Knoxville includes the Veterinary school and the UT Space Institute

<sup>1</sup> LGI = Locally Governed Institutions, APSU = Austin Peay State University, ETSU = East Tennessee State University, MTSU = Middle Tennessee State University, TSU = Tennessee State University, TTU = Tennessee Technological University, UM = University of Memphis, UT = University of Tennessee

<sup>2</sup> Two Year Schools = State Community Colleges

## GLOSSARY OF CERTAIN TERMS

The following terms, as used in this Official Statement including the Appendices hereto, have the respective meanings provided below. These summary definitions do not purport to be complete or definitive and are qualified in their entirety by reference to the Resolution and Financing Agreements, copies of which are on file at the offices of the Authority and the Trustee.

<b>Term</b>	<b>Definition</b>
<b>Account or Accounts</b>	Each account or all of the accounts established pursuant to the Resolution, as the case may be.
<b>Accreted Value</b>	With respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months or otherwise with respect to any Series of Bonds as may be provided by the Supplemental Resolution authorizing the issuance thereof.
<b>Act</b>	The Tennessee State School Bond Authority Act, Sections 49-3-1201 et seq., Tennessee Code Annotated, as amended from time to time.
<b>Administrative Expenses</b>	The Authority's expenses of carrying out and administering its powers, duties and functions in connection with the Agreements, the Projects and the Resolution, and shall include, without limiting the generality of the foregoing: administrative expenses, legal, accounting and consultant's services and expenses, the fees and expenses of the Trustee, Paying Agents and Registrar, payments to pension, retirement, health and hospitalization funds, and any other expenses required or permitted to be paid by the Authority under the provisions of the Act, the Financing Agreements or the Resolution or otherwise.
<b>Annual Financing Charges</b>	The amounts payable by the Boards to the Authority under the Financing Agreements for (i) the payment of principal of and premium, if any, and interest on Debt for all Projects and all Institutions, (ii) any payments to fund or replenish reserves therefor as may be required by the Resolution, regardless of Project or Institution, and (iii) any other payments required to be made by or on behalf of the Authority under or pursuant to the Resolution with respect to any Project, any Institution or the Board.
<b>Authenticating Agent</b>	An authenticating agent appointed pursuant to the Resolution.
<b>Authority</b>	The Tennessee State School Bond Authority, the corporate governmental agency and instrumentality created by the Act, or any body, agency or instrumentality of the State which shall succeed to the powers, duties and functions of the Authority.
<b>Authorized Officer</b>	Any member of the Authority, and any other officer or employee of the Authority authorized by law, by resolution of the Authority or by a certificate of the Secretary of the Authority to perform the act or sign the document in question.
<b>Bank Bonds</b>	Reimbursement Obligations under Credit Facilities represented by Bonds; provided, however, that Bank Bonds do not include any Bonds issued to or held by any party providing a Credit Facility or its designee in any other capacity.
<b>Board or Boards</b>	The Board of Regents or the Board of Trustees, or both such Boards, respectively.
<b>Board of Regents</b>	The Tennessee Board of Regents of the State University and Community College System of the State of Tennessee, and its successors.
<b>Board of Trustees</b>	The Board of Trustees of The University of Tennessee, and its successors.

<b>Bond or Bonds</b>	Any Bond or Bonds issued under the Resolution, including but not limited to Variable Interest Rate Bonds, Capital Appreciation Bonds and Refunding Bonds. Bonds shall not include Subordinated Obligations.
<b>Bond Year</b>	The twelve month period commencing on May 1 of each calendar year and ending on April 30 of the next succeeding calendar year except that the first Bond Year shall begin on the date specified in the Supplemental Resolution authorizing the first Series of Bonds.
<b>Business Day</b>	Any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions located in the State or in any of the cities in which the principal office of the Trustee, any Paying Agent, the Registrar or the provider of a Reserve Fund Credit Facility are required or authorized by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed, and (iv) with respect to a particular Series of Bonds, a day on which any provider of a Credit Facility for such Series of Bonds is located is required or authorized by law or executive order to close or as may otherwise be provided by the Supplemental Resolution authorizing such Series of Bonds.
<b>Capital Appreciation Bonds</b>	Any Bonds as to which interest is payable only at the maturity or prior redemption of such Bonds or which bear a stated interest rate of zero. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or upon acceleration as provided in the Resolution, or (ii) computing the principal amount of Bonds held by the Owner of a Capital Appreciation Bond in giving to the Authority or any Fiduciary any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.
<b>Commercial Paper</b>	All Commercial Paper issued under the Commercial Paper Resolution.
<b>Commercial Paper Resolution</b>	The Commercial Paper Resolution adopted by the Authority on November 18, 1997, as supplemented and amended.
<b>Counsel's Opinion</b>	An opinion signed by an attorney or firm of attorneys selected by or satisfactory to the Authority (who may be counsel to the Authority) which attorney or firm of attorneys is of recognized standing in the field of law relating to municipal bonds; provided, however, that such Counsel's Opinion may take customary exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization, laws affecting creditors' rights, the exercise of judicial discretion and other matters, and may state that no opinion is being rendered as to the availability of any particular remedy or as to the limitation of remedies resulting from sovereign immunity or the partial waiver thereof, and may contain such other references and qualifications as are acceptable to the Fiduciary receiving the same.
<b>Credit Facility</b>	Any irrevocable letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond or agreement, guarantee or similar instrument which is obtained by the Authority and is issued by a financial, insurance or other institution, the State or any subdivision, department, instrumentality or agency thereof, and the Tennessee Consolidated Retirement System or any successor entity thereto then managing and investing the State retirement funds, and which provides credit enhancement, security or liquidity in respect of the Bonds (and which, with respect to a policy of bond insurance, guarantees the payment of principal of and interest on the Bonds), not including any Reserve Fund Credit Facility.
<b>Debt</b>	Any bonds, notes or other evidences of indebtedness issued by the Authority pursuant to the Act and the Resolution for the purpose of financing or refinancing Project Costs. Without limiting the generality of the foregoing, Debt may include "long-term Debt" (i.e., with a term of more than one year unless issued in anticipation of the issuance of Debt with a longer term) or "short-term Debt" (i.e., with a term of one year or less or issued in anticipation of the issuance of Debt with a term of more than one year), and may take the form of commercial paper.
<b>Debt Service Reserve Requirement</b>	With respect to each Series of Bonds (other than Bonds as to which the Authority has elected to establish a separate account in the Debt Service Reserve Fund solely for such Bonds, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Debt Service Reserve Fund"), as of any date of calculation, (i) an amount equal to the aggregate of the greatest amount of Debt Service on all Outstanding Bonds of such Series issued for each Project (calculated separately for each Project and then aggregated) payable on any interest or Principal Installment date thereafter (except that for the first such date after the date of issuance of such Bonds, interest to accrue for greater than 6 months but less than 12 months shall not be taken into account), or (ii) such greater amount, which subsequently may be reduced to an amount not

less than the amount required by clause (i) above, as may be determined from time to time by the Authority by Supplemental Resolution; provided, however, that as a result of the issuance of any Series of Bonds the interest on which is generally excluded from gross income for federal income tax purposes, the Debt Service Reserve Requirement with respect to such Series shall at no time exceed the lesser of (i) the amount that may be funded from the proceeds of such Bonds or (ii) the amount that constitutes a reasonably required reserve with respect to such Bonds. Each determination by the Authority of the Debt Service Reserve Requirement shall be conclusive. For purposes of this definition:

- (A) **"Debt Service"** for any date or period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) the interest payable on such date or accruing during such period on the Outstanding Bonds of such Series, and (ii) the Principal Installment for such Series payable on such date or accruing during such period on the Outstanding Bonds of such Series; provided, however, that in calculating Debt Service on any future date or for any future period: (x) any Variable Interest Rate Bonds shall be deemed to bear interest at all times prior to the maturity date thereof for which the interest rate payable thereon has not yet been determined at the Debt Service Determination Interest Rate applicable thereto and (y) any interest on any Bonds secured by a Credit Facility the related Reimbursement Obligation on which is evidenced by a Bank Bond shall be calculated at the higher of the actual interest rate or, if applicable, the Debt Service Determination Interest Rate applicable to such Bonds or the maximum rate of interest permitted for any such Reimbursement Obligation (whether or not any Reimbursement Obligation has yet accrued).
- (B) **"Debt Service Determination Interest Rate"** means, with respect to any particular Variable Interest Rate Bonds, any numerical rate or rates of interest set forth, or determined as set forth, in the Supplemental Resolution authorizing such Bonds; provided, however, that such rate shall not be less than the interest rate initially borne by such Bonds.
- (C) **"Proceeds"** and **"reasonably required reserve"** shall have the respective meanings given such terms, or any comparable terms, for purposes of Section 148(d) of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

**Defeasance  
Obligations**

Investment Obligations which are rated at the time of investment in any of the two highest Rating Categories by any Rating Agency, and which (i) shall not be subject to redemption prior to their maturity other than at the option of the holder thereof and (ii) shall not be subject to redemption prior to their maturity other than at the option of the holder thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof.

**Direct DTC  
Participant**

Shall have the meaning given to such term in Appendix F - "BOOK-ENTRY ONLY SYSTEM."

<b>Fees and Charges</b>	With respect to each Board, all revenues, fees, rentals and other charges and moneys received by or on behalf of the Board for the Institution, or received by or on behalf of the Institution, for which any Project is undertaken which may be available for the purpose of paying Annual Financing Charges.
<b>Fiduciary or Fiduciaries</b>	The Trustee (including, where appropriate, any co-Trustee or Authenticating Agent), any Paying Agent, the Registrar, or any or all of them, as may be appropriate, or any other Person appointed to act as a Fiduciary as provided in the Resolution.
<b>Financing Agreement or Financing Agreements</b>	The Second Program Financing Agreement dated as of November 1, 1997, by and between the Authority and the Board of Trustees, and the Second Program Financing Agreement dated as of November 1, 1997, by and between the Authority and the Board of Regents, as appropriate, in each case as supplemented and amended from time to time.
<b>First Program Financing Agreements</b>	The Amended and Restated Financing Agreement dated as of September 17, 1996, between the Authority and the Board of Trustees, and between the Authority and the Board of Regents. The following terms, when identified as related to the First Program, shall have the respective meanings given to them in the First Program Financing Agreements: administrative fees, Annual Financing Charges, Bonds, Fees and Charges, General Bond Resolution, Legislative Appropriations and Projects.
<b>Fiscal Year</b>	With respect to the Authority, currently the twelve month period commencing on July 1 and ending on June 30 of the following year. In the event of any change in Fiscal Year resulting in an initial Fiscal Year or interim period of more or less than twelve months, Fiscal Year for purposes of the Financing Agreements shall mean the last twelve month Fiscal Year.
<b>Fitch</b>	Fitch Ratings, Inc., or any successor then maintaining a rating on any Bonds at the request of the Authority.
<b>Fund or Funds</b>	Each fund or all of the funds established in the Resolution, as the case may be.
<b>Indirect DTC Participant</b>	Shall have the meaning given to such term in Appendix F - "BOOK-ENTRY ONLY SYSTEM."
<b>Institution</b>	As appropriate, (i) the University of Tennessee system, including all of its branches and divisions wherever located, and the services, programs and activities provided therein, and the Board of Trustees, in the aggregate, and (ii) the State University and Community College System, including all of its constituent institutions wherever located (whether or not conferring degrees), and the services, programs and activities provided therein, and the Board of Regents, in the aggregate. This definition is as amended on May 9, 2013, as discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Recent Amendments to the Act, the Resolution and the Financing Agreements" in this Official Statement.
<b>Investment Obligations</b>	Include any instruments, securities, certificates, obligations or the like if and to the extent the same are at the time permitted and legal for investment of the Authority's funds pursuant to the Act or in accordance with any other law, regulation, guideline or policy, as in effect from time to time, of or applicable to the Authority with respect to investments.
<b>Legislative Appropriations</b>	The amounts payable to the Authority from appropriations by the General Assembly of the State to an Institution for its operation and maintenance, under and pursuant to the Act and the Financing Agreements, including but not limited to amounts deductible, by Persons other than the Boards, from such appropriations for payment directly to the Authority.
<b>Moody's</b>	Moody's Investors Service, Inc., or any successor then maintaining a rating on any Bonds at the request of the Authority.

<b>Outstanding</b>	<p>When used with reference to Bonds, other than Bonds held by or for the account of the Authority or either of the Boards, means, as of any date, Bonds theretofore or then being delivered under the provisions of the Resolution, except:</p> <ul style="list-style-type: none"> <li>(A) Any Bonds cancelled at or prior to such date;</li> <li>(B) Any Bonds (or portions of Bonds) the principal or Redemption Price, if any, of, and interest on which shall have been paid in accordance with the terms thereof;</li> <li>(C) Any Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered upon exchange or transfer pursuant to the Resolution;</li> <li>(D) Bonds deemed to have been paid as provided in the Resolution; and</li> <li>(E) Put Bonds deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available for such payment as provided in the Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of the Resolution;</li> </ul> <p>unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility. If principal of a Bond is paid or redeemed by the provider of a Credit Facility, the related Reimbursement Obligation shall be treated as an Outstanding Bond (when such related Reimbursement Obligation is not evidenced by Bonds designated as Bank Bonds) in lieu of the Bond so paid or redeemed, but only to the extent that principal of the Bond was so paid or redeemed, bearing interest at the interest rate provided in the Credit Facility.</p>
<b>Owner or Bondowner</b>	Or any similar term when used with reference to Bonds, means any Person who shall be the registered owner of any Outstanding Bond.
<b>Paying Agent</b>	Any paying agent for the Bonds of any Series and its successor or successors and any other Person which may at any time be substituted in its place, pursuant to the Resolution.
<b>Person</b>	Any individual, corporation, partnership, limited partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability corporation or partnership, or government or any agency or subdivision thereof, or other legal entity or group of entities.
<b>Principal Installment</b>	As of any date of calculation with respect to any Series, so long as any Bonds thereof are Outstanding, (i) the principal amount of Bonds on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.
<b>Project</b>	A Project as such term is defined in the Financing Agreements. In the Financing Agreement with each Board, "Project" is defined as buildings, structures, improvements and equipment of every kind, nature and description which may be required by or convenient for the purposes of an Institution or other things which the Board is authorized by law (at the relevant time) to undertake or use, in each case if and to the extent (i) capitalizable by the Board, including but not limited to a capital lease, and (ii) approved by the Authority upon application therefor made by the Board in such form, substance and manner as may be prescribed by the Authority, all subject to any permissible amendment of the Financing Agreement. See Appendix D – "Summary of Certain Provisions of the Financing Agreements – Amendment." Pursuant to legislation adopted at the 2005 session of the General Assembly, computer software (whether acquired before, at the same time as, or after the hardware needed for utilization of the software) to the extent accounted for as a capital asset shall constitute equipment for financing purposes, and projects may include agricultural land related to educational purposes of an Institution purchased from a governmental entity prior to October 1, 2005.

<b>Project Cost</b>	All direct capital costs and indirect capital costs of Projects, including but not limited to costs of construction and acquisition, costs of issuance of Debt, funded interest on Debt, and amounts to fund or replenish reserves as may be required by the Resolution, if and to the extent approved by the Authority upon application therefor made by the Board in such form, substance and manner as may be prescribed by the Authority.
<b>Put Bonds</b>	Bonds which by their terms may be tendered by and at the option of the Owner thereof for payment prior to the stated maturity or redemption date thereof either (i) by the Authority and by the Person and/or from the source specified in a Supplemental Resolution or (ii) without recourse to the Authority by the Person and/or from the source specified in a Supplemental Resolution.
<b>Qualified Swap</b>	To the extent from time to time permitted by law, any cap, floor or collar, forward rate, future rate, asset, swap or index, price or market linked transaction or agreement, other exchange or rate protection transaction or agreement, other similar transaction (however designated) or any combination thereof, or any option with respect thereto, executed by the Authority with or guaranteed by a qualified swap counterparty either for asset or liability management purposes or otherwise pursuant to the Act or other applicable law. For purposes of this definition, "qualified swap counterparty" means a bank, insurance company or financial institution rated, or whose long-term obligations of any nature or claims paying ability are rated, at the time of execution in one of the two highest Rating Categories of any Rating Agency.
<b>Rating Agency</b>	At any applicable time, Moody's, S&P, Fitch and any other nationally recognized rating agency, or any of them, as appropriate; provided, however, that the same maintains at such time a rating on the Bonds at the request of the Authority.
<b>Rating Category</b>	A generic rating category of an applicable Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.
<b>Redemption Price</b>	With respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon maturity or redemption thereof pursuant to the Resolution and the Supplemental Resolution pursuant to which the same was issued.
<b>Refunding Bonds</b>	All Bonds constituting the whole or a part of a Series of Bonds delivered on original issuance pursuant to the Resolution.
<b>Registrar</b>	The registrar for the Bonds of any Series, and its successor or successors and any other Person which may at any time be substituted in its place pursuant to the Resolution.
<b>Reimbursement Obligation</b>	Any obligation of the Authority to make payments to a provider of a Credit Facility in reimbursement of or as interest on (which interest may be higher than the interest rate on the related Bond) an advance, loan or other payment made by such provider for the purpose of paying (i) the principal, Sinking Fund Installment, if any, or Redemption Price of, or interest on, any Bonds, or (ii) the purchase price, plus accrued interest, if any, of any Bonds tendered pursuant to the provisions of the applicable Supplemental Resolution, but only to the extent the principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Reimbursement Obligations shall not include (a) any payments of any fees, expenses, or other similar obligations to any such provider, which payments shall be Administrative Expenses or (b) any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds, which payments shall be Subordinated Obligations. Reimbursement Obligations may be evidenced by Bonds designated as Bank Bonds, which may bear a higher interest rate than the rate borne by the Bonds to which they relate.
<b>Reserve Fund Credit Facility</b>	(i) any irrevocable, unconditional letter of credit issued by a bank, national banking association or savings and loan association, (ii) any insurance policy providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and which is issued by a municipal bond or other insurance company, and (iii) any other similar financial arrangement as determined by Supplemental Resolution, and which is used to fund all or a portion of the Debt Service Reserve Requirement; provided, however, that at the time of acceptance by the Authority, the provider's long term obligations of any nature or claims paying ability are rated, by each Rating Agency then rating any Outstanding Bonds, no lower than the same Rating Category (for this purpose, taking into account refinements and gradations) as the Bonds are then rated by such Rating Agency.

<b>Revolving Credit Agreement</b>	The Revolving Credit Agreement dated March 20, 2014, by and among the Authority, Wells Fargo Bank, National Association, as Bank, and U.S. Bank National Association, as Administrative Agent and as Bank, as amended.
<b>Revolving Credit Loans</b>	Loans made from time to time under the Revolving Credit Agreement.
<b>Resolution</b>	The Second Program General Bond Resolution adopted by the Authority on April 27, 1998, as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions thereof.
<b>S&amp;P</b>	S&P Global Ratings or any successor then maintaining a rating on any Bonds at the request of the Authority.
<b>Serial Bonds</b>	The Bonds which mature in annual or semi-annual installments of principal, which need not be equal and the first installment of which may be deferred, or Bonds so designated in a Supplemental Resolution.
<b>Series or Series of Bonds or Bonds of a Series or words of similar meaning</b>	The Series of Bonds authorized by a Supplemental Resolution.
<b>Series Certificate</b>	The certificate of determination of the Authority fixing terms, conditions and other details of a Series of Bonds in accordance with the delegation of power to do so under the General Bond Resolution and under an applicable Supplemental Resolution.
<b>Sinking Fund Installment</b>	As of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the Resolution or the applicable Supplemental Resolution or Series Certificate to be paid on a single future date for the retirement of any Outstanding Bonds of said Series that mature after said future date and which is unsatisfied as determined pursuant to the Resolution, but does not include any amount payable by the Authority by reason only of the maturity of a Bond.
<b>Sinking Fund Payment Date</b>	Each date on which a Sinking Fund Installment is payable on the Bonds, provided that such date shall be a date on which a Sinking Fund Installment is payable as provided in or pursuant to each Supplemental Resolution.
<b>State</b>	The State of Tennessee.
<b>Subordinated Obligations</b>	Any evidence of indebtedness (including but not limited to commercial paper), other than Bonds or related Reimbursement Obligations, issued by the Authority to finance Project Costs of a Project or any other indebtedness issued, or other obligations entered into (including but not limited to Qualified Swaps not entered into on a parity with Bonds), pursuant to or as permitted by, and complying with, the provisions of the Resolution.
<b>Supplemental Resolution</b>	Any resolution adopted by the Authority pursuant to and in compliance with the provisions of the Resolution providing for the issuance of a Series of Bonds, and shall also mean any other resolution adopted pursuant to and in compliance with the provisions of the Resolution amending or supplementing the provisions of the Resolution as originally adopted or as theretofore amended or supplemented.
<b>Term Bonds</b>	The Bonds so designated in a Supplemental Resolution and payable in part from Sinking Fund Installments.
<b>Trustee</b>	The bank, trust company or national banking association appointed pursuant to the Resolution to act as trustee under the Resolution, and its successor or successors and any other bank, trust company or national banking association at any time substituted in its place pursuant to the Resolution.
<b>Valuation Date</b>	With respect to any Capital Appreciation Bonds the date or dates set forth in the Supplemental Resolution authorizing such Bonds on which specific Accreted Values are assigned to the Capital Appreciation Bonds.

**Variable Interest Rate** A variable interest rate or rates (or a multiple of a variable rate or rates of interest) to be borne by any Bond within a Series of Bonds. The method of computing such variable interest rate or rates shall be specified in the Supplemental Resolution authorizing such Series of Bonds. Such Supplemental Resolution shall also specify either (i) the particular period or periods of time for which such variable interest rate or rates (or a multiple of a variable rate or rates of interest) shall remain in effect or (ii) the time or times upon which any change in such variable interest rate or rates (or a multiple of a variable rate or rates of interest) shall become effective.

**Variable Interest Rate Bonds** Bonds which bear a Variable Interest Rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate.

## SUMMARY OF CERTAIN PROVISIONS OF THE FINANCING AGREEMENTS

The following is a brief summary of certain provisions of the Financing Agreements, summaries of certain other provisions of which are contained elsewhere in this Official Statement. This and such other summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the Financing Agreements, copies of which are available at the offices of the Authority and the Trustee. For definitions of certain terms used herein, see Appendix C - "Glossary of Certain Terms"; provided, however, that for purposes of this summary, the term "Resolution" means, collectively or individually as the context may require, the resolutions of the Authority authorizing the issuance of Debt including, without limiting the generality of the foregoing, the Higher Educational Facilities Second Program General Bond Resolution and any resolutions authorizing the issuance of notes or other obligations (including but not limited to commercial paper), in each case as amended and supplemented pursuant to the provisions thereof.

### Approval of Projects and Project Costs

Each Project and Project Costs shall be subject to approval by the Authority upon application therefor made by the Board in such form, substance and manner as may be prescribed by the Authority.

A Project for an Institution shall be approved by the Authority only if the aggregate of the Fees and Charges collected by the Institution in the preceding Fiscal Year is no less than two times the amount required for the payment of the aggregate (without duplication) of (i) the maximum amount of the Annual Financing Charges payable and projected to be payable with respect to all Projects (including the Project to be approved) for the Institution in any succeeding Fiscal Year, plus (ii) the maximum amount payable by the Board as First Project Annual Financing Charges with respect to all First Program Projects for the Institution in any succeeding Fiscal Year, plus (iii) the aggregate of all prior charges, pledges, liens and claims on or payable from said Fees and Charges with respect to the Institution in any succeeding Fiscal Year, including but not limited to all prior charges, pledges, liens and claims on or payable from the First Program Fees and Charges with respect to the Institution.

### Project Funding

The Authority will use its best efforts to finance and refinance Project Costs by the issuance of Debt or from other available funds of the Authority, in a manner and under terms deemed by the Authority in its sole discretion to be in the best interests of the Institution for which the related Project is undertaken or used.

### Project Construction Accounts; Reallocation of Balances

The Authority will establish a separate account (a "Project Construction Account") for each Project prior to or simultaneously with the issuance of the first Debt to finance related Project Costs. All Bond proceeds determined by the Authority to be available for the payment of Project Costs, shall be deposited in the respective Project Construction Accounts unless and to the extent otherwise provided by the Resolution.

The Authority may reallocate funds in any Project Construction Account derived from the sale of short-term Debt to other Project Construction Accounts as deemed necessary or advisable by the Authority. If long-term Debt has been sold to finance or refinance a Project, and funds in the related Project Construction Account are determined by the Authority in its sole discretion to be in excess of the amount needed for completion of the Project, the Authority shall apply such excess funds to the payment of the next scheduled debt service on Debt for such Project, to the redemption or defeasance of such Debt, or otherwise as permitted by law to the extent permitted by the Resolution.

### Payment of Project Costs

Disbursement of funds on deposit in Project Construction Accounts will be made upon the submission of proper documentation from the Board approved by the Authority. Submission by the Board of a request for disbursement constitutes a representation by the Board that the expenses presented for payment constitute proper and valid charges related to the Project and constitute Project Costs, and that all covenants and representations made to the Authority with respect to the Project, whether in the Agreement or otherwise, continue to be true, complete and accurate.

## **Covenants and Representations**

The Board covenants and represents with respect to each Project, among other things, that: (a) all necessary approvals or authorizations by the State (or any agency, subdivision or subentity) with respect to the Project have been or will be obtained; (b) the Board will neither (i) permit any encumbrance which materially affects the Board's ability to honor its commitments under the Financing Agreement nor (ii) assign the Financing Agreement or the Board's rights, title or interest in or to any Project; (c) the Board will operate, maintain and keep, or cause the operation, maintenance and functioning of, the Project in good repair and condition, including the provision of and payment for necessary utilities and insurance coverage in accordance with State policy; (d) the Board will comply with all laws, rules and regulations governing the Institution and the Project; and (e) the Board will take no action, nor will it fail to take any action, which would cause the Authority to violate any tax covenant with respect to any Project.

## **Annual Financing Charges; Administrative Fees; and Legislative Appropriations**

For a summary of certain provisions of the Financing Agreements relating to the establishment, payment and subordination of Annual Financing Charges, Administrative Fees and Legislative Appropriations, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the Official Statement.

## **Interest of Debtholders**

The Authority and the Board acknowledge that the existence and terms and provisions of the Agreement serve as an inducement to Debtholders to purchase, and serve to secure, Debt. Accordingly, all covenants and agreements of the Authority and the Board under the Financing Agreement are declared therein to be for the benefit of such holders. Notwithstanding the foregoing, such holders shall have no right under the Financing Agreement to directly enforce the Financing Agreement, but may do so only to the extent permitted and as provided by the related Resolution.

## **Assignments**

The Board authorizes the Authority to pledge, assign, and transfer its right to receive and collect Annual Financing Charges, Administrative Fees, and Legislative Appropriations, together with its rights to enforce the Financing Agreement. The Authority has pledged and assigned the Annual Financing Charges and Legislative Appropriations to the Trustee for the benefit of the holders of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and has granted the Trustee the legal right to enforce such pledge and assignment and the provisions of the Agreements providing for the payment thereof. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION - Pledge and Assignment of Annual Financing Charges and Legislative Appropriations" in the Official Statement.

## **Amendment**

Any provision of the Financing Agreement may be amended by agreement of the Authority and the Board; provided, however, that no such amendment shall adversely affect or impair in any way (i) the obligation of the Board to pay Annual Financing Charges or Administrative Fees, or (ii) the deduction from appropriations, and payment to the Authority, of Legislative Appropriations required to pay Annual Financing Charges, in the case of each of clauses (i) and (ii) at the times, in the manner and in the amounts provided in the Agreement, or (iii) any provision of the Agreement made or provided for the purpose of assuring payment of such Annual Financing Charges or Administrative Fees.

## **Additional Information**

The Board agrees to furnish to the Authority such additional information concerning the financial condition of the Board and any Institution as the Authority may from time to time reasonably request including, without limiting the generality of the foregoing, as and to the extent that the Authority shall determine that disclosure of such information is necessary in order to comply with any undertakings made by the Authority pursuant to Rule 15c2-12 of the Securities and Exchange Commission or with any other applicable legal requirements.

## SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a brief summary of certain provisions of the Resolution, summaries of certain other provisions of which are contained elsewhere in this Official Statement. This and such other summaries do not purport to be complete or definitive and are qualified in their entirety by reference to the Resolution, copies of which are available at the offices of the Authority and the Trustee. For definitions of certain terms used herein, see Appendix C - "Glossary of Certain Terms."

### Authorization

The Resolution authorizes the issuance of Bonds in Series pursuant to Supplemental Resolutions, for any purpose authorized by the Act. For a summary of the conditions for the issuance of Bonds and their security and sources of payment, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" in the Official Statement.

### Pledge and Assignment of Annual Financing Charges and Legislative Appropriations

The Annual Financing Charges and Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, which are to be transferred to the Funds or Accounts held by the Trustee, if any, are pledged and assigned to the Trustee for the benefit of the Owners of the Bonds and for the application thereof in accordance with the provisions of the Resolution, and the Trustee shall have the legal right to enforce such assignment. Regardless of such pledge and assignment, the Trustee shall have the legal right to enforce the provisions of the Agreements providing for the payment thereof in the manner provided in the Financing Agreements and the Resolution.

The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Annual Financing Charges, Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, the Financing Agreements, and other moneys, securities, funds and property pledged and assigned under the Resolution and all the rights of the Bondowners under the Resolution against all claims and demands of all Persons whomsoever.

### Certain Provisions Relating to Credit Facilities, Qualified Swaps and Other Arrangements

The Authority may include such provisions in a Supplemental Resolution authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Authority deems appropriate, including but not limited to:

1. So long as the Credit Facility provides security and not merely liquidity, that the providers thereof shall have all or any of the rights and remedies of the Owners of the Bonds to which such Credit Facility relates and that the related Reimbursement Obligations shall have all or any of the payment, security and other rights applicable to the Bonds to which such Reimbursement Obligations relate.
2. In the event that the principal, Sinking Fund Installments, if any, and Redemption Price of and interest due on any Bonds Outstanding shall be paid under the provisions of a Credit Facility, the issuer of such Credit Facility shall be subrogated to the rights of such Bondowners in accordance with the terms of such Credit Facility.
3. Interest on any Reimbursement Obligation calculated at any rate, whether or not higher than the interest rate on the related Bond, and principal amortization requirements with respect to such Reimbursement Obligation, may be secured by a pledge of and a lien on any of the items pledged in the Resolution for the security of the Bonds on a parity with the lien created by the Resolution. A Reimbursement Obligation shall not be secured by the Debt Service Reserve Fund unless the Bonds to which it relates are so secured. Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, which payments shall be Subordinated Obligations payable from the General Fund. All Reimbursement Obligations shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Reimbursement Obligations relates. Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds."

In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Authority may, to the extent from time to time permitted pursuant to law, enter into Qualified Swaps relating to such Bonds. The Authority's obligation to make any payment under any Qualified Swap may be secured by a pledge of,

and a lien on, the items pledged in the Resolution for the security of the Bonds on a parity with the lien created by the Resolution or be payable from or secured by amounts on deposit in the Debt Service Fund or Debt Service Reserve Fund, or shall constitute Subordinated Obligations payable from the General Fund, as determined by the Authority; provided, however, that any optional or mandatory termination payments shall constitute Subordinated Obligations. If a Qualified Swap is payable from and/or secured by the Debt Service Fund and Debt Service Reserve Fund, the Authority may provide by Supplemental Resolution for a recalculation of the Debt Service Reserve Requirement for any Bonds to take into account the Authority's debt service payment obligations on such Bonds as affected by such Qualified Swap.

### **Funds and Accounts**

For a description of the flow of funds under the Resolution and of the application of the Debt Service Fund and Debt Service Reserve Fund, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Flow of Funds" and "- Debt Service Reserve Fund" in the Official Statement.

### **Construction Fund**

The Authority shall establish in the Construction Fund, to be held by the State Treasurer or, at the direction of the State Treasurer, a separate custodian, a separate Account with respect to each Project. As promptly as practicable after the delivery of any Series of Bonds or Subordinated Obligations to pay Project Costs, the Authority shall deposit into each Project Construction Account the amount of the proceeds derived from the sale of such Series of Bonds or Subordinated Obligations, if any, as shall be directed by or pursuant to the Supplemental Resolution or other resolution or indenture authorizing the issuance thereof. Moneys on deposit in or credited to a Project Construction Account shall be used by the Authority for payment of the Project Costs of the Project to which the Project Construction Account relates. The Authority may transfer from a Project Construction Account to the General Fund such amounts as the Authority shall determine is necessary to pay Administrative Expenses of the Authority chargeable to the Project to which such Project Construction Account relates.

Upon completion of a Project the moneys, if any, remaining in the Project Construction Account for such Project, after making provision for the payment of allocable Administrative Expenses and Project Costs then unpaid, either shall be reallocated by the Authority to other Projects in accordance with the Financing Agreements or shall be applied (or, if the Debt Service Fund is then held by the Trustee, transferred by the State Treasurer to the Trustee and applied by the Trustee) as directed by the Authority to the payment of principal, Sinking Fund Installments, if any, or Redemption Price of or interest on Bonds issued for the related Project.

### **Capitalized Interest Accounts**

The Supplemental Resolution authorizing any Series of Bonds may establish a separate Account within the Debt Service Fund for each Project. Moneys in the Capitalized Interest Accounts shall be used, to the extent sufficient therefor, for the purpose of paying interest on the Series of Bonds in respect of which such moneys have been set aside, either directly therefrom or by transfer to the Debt Service Fund, prior to the payment of such interest from Annual Financing Charges.

### **Investment of Funds and Accounts**

Moneys in all Funds and Accounts shall be invested in Investment Obligations, except as may be otherwise limited by Supplemental Resolution.

Unexpended Bond proceeds and all Annual Financing Charges, Administrative Fees, and Legislative Appropriations, and investment earnings allocable thereto, held in Project Construction Accounts or in other Funds or Accounts, may be commingled for investment purposes either as a separate fund or as part of a common fund with other moneys of the Authority or the State, or otherwise; provided that (i) such investments and the income or interest earned, profits realized or losses suffered thereby shall be allocated and credited to the appropriate Funds or Accounts or otherwise in accordance with Authority and State policy, and (ii) all Funds and Accounts so commingled for investment purposes shall nevertheless be accounted for separately as required by the Resolution. Notwithstanding the foregoing, moneys on deposit with the State Treasurer (other than in connection with defeasance) may be invested at a rate or return fixed from time to time pursuant to State policy, without the necessity of allocating and crediting any particular investment (but only an amount invested) and without regard to actual investment, income, interest, profits or losses.

Except as otherwise provided in the Resolution, the Trustee or the State Treasurer, as the case may be, shall sell at the best price obtainable by the Trustee or the State Treasurer, as the case may be, through its ordinary and customary practices, or present for redemption or exchange, or as directed in writing by the Authority, any Investment Obligation held

by it in any Fund or Account whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made.

### **Certain Covenants of the Authority**

For a description of the agreement of the Authority on behalf of the State, pursuant to the Act, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Statutory Covenant" in the Official Statement.

*Creation of Liens.* Until the pledge created in the Resolution shall be discharged and satisfied as provided therein, the Authority shall not issue any bonds or other evidences of indebtedness, other than the Bonds (or any related Reimbursement Obligations) secured by a prior or equal pledge of the Annual Financing Charges, Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, the Financing Agreements, or any moneys and securities in the Debt Service Fund and Debt Service Reserve Fund, and shall not create or cause to be created any lien or charge equal or prior to the Bonds (or any related Reimbursement Obligations) on Annual Financing Charges Legislative Appropriations, and all rights under the Financing Agreements or otherwise to receive the same, the Financing Agreements, in each such case except as permitted by the Resolution, or on any moneys and securities in the Debt Service Fund and Debt Service Reserve Fund.

*Tax Exemption.* The Authority may include in the applicable Supplemental Resolution for any Series of Bonds any and all covenants necessary or appropriate to maintain the exclusion from gross income for purposes of federal income taxation of interest on such Bonds. See "TAX MATTERS" in the Official Statement. The Authority may issue Bonds the interest on which is not intended to be excluded from gross income, and therefore may be taxable, for purposes of federal income taxation.

*Compliance with and Amendment of Financing Agreements.* The Authority will at all times comply with the covenants, terms and conditions of the Financing Agreements and shall take all steps, actions and proceedings as may be necessary in order to require compliance by the Boards with the covenants, terms and conditions thereof, the breach of which would in any way materially adversely affect or impair the obligation of the Boards to pay Annual Financing Charges and Legislative Appropriations at the times and in the manner and amounts provided in the Financing Agreements.

The Authority will not amend any Financing Agreement in any manner that would materially adversely affect or impair the obligation of the applicable Board to pay Annual Financing Charges or Legislative Appropriations at such times, in such manner and in such amounts sufficient, together with other moneys available for the purpose, to pay the principal of and Sinking Fund Installments and interest on the Bonds as the same becomes due and payable, but reserves the right to amend the Financing Agreements in any other respect without the consent of any Fiduciary or any Bondowner.

### **Supplemental Resolutions; Amendments**

The Authority may at any time or from time to time adopt Supplemental Resolutions without the consent of Bondowners and, except as may be agreed to in or in connection with any Credit Facility or Qualified Swap, the provider of any Credit Facility or Qualified Swap, for any one or more of the following purposes: (1) to authorize Bonds of a Series and, in connection therewith, specify and determine any matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect; (2) to establish for any Series of Bonds a separate Account in the Debt Service Reserve Fund which shall be permitted to be applied solely to the payment of Bonds of such Series, provided that (i) the Bonds of such Series shall have no claim or lien on nor be payable from any other amounts in the Debt Service Reserve Fund, (ii) the Bonds of such Series shall be excluded from the calculation of the Debt Service Reserve Requirement for all other Outstanding Bonds, and (iii) the amount required to be on deposit in such separate Accounts shall be specified or calculated in a manner specified in the Supplemental Resolution authorizing the Bonds of such Series, but in no event shall such amount, after giving effect to any Reserve Fund Credit Facility deposited in any such separate Account in the Debt Service Reserve Fund, be in excess of the amount that would otherwise be the Debt Service Reserve Requirement for such Series of Bonds assuming that such Series of Bonds were the only Series of Bonds Outstanding under the Resolution; (3) to modify, amend or supplement the Resolution in any manner in order to obtain or provide for or with respect to a Credit Facility, Reserve Fund Credit Facility or Qualified Swap with respect to any Series of Bonds, so long as the Authority determines that such Supplemental Resolution does not materially adversely affect the rights of the Owners of Outstanding Bonds; (4) to add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Resolution as theretofore in effect; (5) to add to the Resolution any provisions relating to the application of interest earnings in any Fund or Account required by law to preserve the exclusion from gross income for Federal income tax purposes of interest received on any Bonds then Outstanding or to be issued or the exemption

of interest received on such Bonds from State income taxation; (6) to modify or eliminate any Debt Service Reserve Requirement in excess of the minimum required therefor as provided in the definition thereof; (7) to modify, amend or supplement the Resolution in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar Federal statute, or to permit the qualification of any Bonds for sale under the securities laws of any of the states of the United States of America, and to add such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939, as amended, or similar Federal statute; (8) with the consent of the Trustee, (i) to cure any ambiguity, or defect or inconsistent provision in the Resolution, or (ii) to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect; or to make any other modification or amendment of the Resolution which the Trustee shall in its sole discretion determine will not have a material adverse effect on the rights of Bondowners, provided that in making any such determination, the Trustee may conclusively rely upon a Counsel's Opinion or certificate of any Person deemed by the Trustee in its sole discretion to be reliable; (9) to comply with the requirements of any Rating Agency in order to maintain or improve a rating on the Bonds by such Rating Agency; or (10) to modify any of the provisions of the Resolution in any respect whatsoever, provided that such modification shall be, and be expressed to be, effective only after all Bonds Outstanding at the date of the adoption of such Supplemental Resolution either shall cease to be Outstanding or the Owners of the requisite percentage of the principal amount of such Bonds shall have consented thereto.

Any modification or amendment of the Resolution and of the rights and obligations of the Authority and of the Owners of the Bonds under the Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent (a) of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (c) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Owners of one hundred percent (100%) in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, (b) permit the creation of any pledge, lien, charge or encumbrance of or upon any of the items purported to be pledged pursuant to the Resolution, which pledge, lien, charge or encumbrance would be prior to, or of equal rank with, the pledge or source of payment for the Bonds created by the Resolution, without the consent of the Owners of all Outstanding Bonds affected by such change, or deprive any Owner of any Outstanding Bond of the benefit of such pledge or source of payment for the Bonds, without the consent of such Owner, except as permitted by the Resolution, (c) create, with respect to the pledge of the items set forth in the Resolution, a preference or priority of any Bond over any other Bond without the consent of each Owner of a Bond affected by such change, or (d) reduce the percentages of the Bonds the consent of the Owners of which is required to waive an Event of Default or otherwise effect any such modification or amendment. For such purposes, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects the rights of the Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the Authority and all Owners of Bonds. The Trustee may receive an opinion of counsel, including a Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Resolution.

Notwithstanding anything in the Resolution to the contrary, the consent of Owners of any Series of additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment; provided, however, that such modification, amendment and consent are disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold to the public.

For purposes of amendments to the Resolution, but only so long as the Credit Facility provider has not defaulted on its obligations under the Credit Facility, (i) the provider of a Credit Facility shall be considered the sole Owner of all Bonds to which such Credit Facility relates, except as otherwise provided in an applicable Supplemental Resolution, and (ii) any amendment provision of the Resolution may be waived by such provider with respect to its consent to any amendment, by an instrument in writing filed with the Authority and the Trustee.

The Authority shall furnish written notice to each Rating Agency of any amendment, change or modification of the Resolution.

### **Events of Default**

Each of the following events is an "Event of Default": (1) the Authority shall default in the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bond when and as the same shall become due, whether at maturity or upon call for mandatory redemption or otherwise, which default shall continue for a period of thirty (30) days; (2) the pledge created in the Resolution shall, at any time and for any reason, cease to be in full force and effect or a judgment or order of any court of competent jurisdiction, or of any arbitrator or panel of arbitrators, as to which all appeals have been exhausted, shall be rendered which shall declare the pledge to be null and void, or shall declare that the pledge does not establish in any material respect the lien it purports to establish, or that the pledge is not for the exclusive benefit of the Owners of the Bonds, except as provided in or permitted by the Resolution; (3) the Authority shall fail or refuse to comply with the provisions of the Act as then in effect, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Resolution, any Supplemental Resolution, or in the Bonds, and such failure, refusal or default shall continue for a period of ninety (90) days after written notice thereof (specifying such default and requiring that such notice is a "Notice of Default" under the Resolution) is given to the Authority by the Trustee or to the Authority and the Trustee by the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds; however, in the event that the default be such that it cannot be corrected within such ninety (90) day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within such period and diligently pursued (as determined by the Trustee) until the default is corrected; (4) a court having jurisdiction in the premises shall enter a decree or order providing for relief in respect of the Authority or either Board in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Authority or either Board, or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of ninety (90) days; or (5) the Authority or either Board shall commence a voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Authority or either Board, or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any action in furtherance of the foregoing.

Notwithstanding the foregoing, nothing in the Resolution shall preclude the Authority from seeking and obtaining from the General Assembly a change in law, to limit, modify, rescind, repeal or otherwise alter the character of the pledged items or to substitute like or different sources of fees, charges, appropriations or other receipts as pledged revenues if and when adequate provisions shall be made by law for the protection of the Owners of Outstanding Bonds pursuant to the proceedings under which the Bonds are issued, including changing or altering the method of establishing fees, charges and appropriations as contemplated by the Act. The Authority (or the Trustee at the request of the Authority) shall mail to the Bondowners notice of any such change or alteration pursuant to such proviso. The Authority shall file with the Trustee, or the Trustee shall retain on file, proof of their respective mailing of such notice to Bondowners. Such change or alteration shall be deemed conclusively binding upon the Authority, each Fiduciary and the Owners of all Bonds at the expiration of thirty (30) days after the filing with the Trustee of the proof of the mailing of notice referred to above, except in the event of a final decree of a court of competent jurisdiction setting aside such change or alteration in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period.

### **Remedies**

Upon the happening and continuance of (i) any Event of Default specified in clause (1), (4) or (5) of the first paragraph under "Events of Default" above, the Trustee shall proceed, and (ii) any other Event of Default, the Trustee may proceed, and upon the written request of the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds or if the Event of Default arises from the failure of the Authority to duly and punctually perform the tax covenants contained in the Resolution, twenty-five per centum (25%) in principal amount of the Outstanding Bonds of such Series affected thereby, shall proceed, in its own name, to protect and enforce its rights and the rights of the Bondowners by such of the following remedies, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights: (1) by suit, action or proceeding at law or in equity in any court of competent jurisdiction, enforce all rights of the Bondowners, including the right to require the Authority to enforce the Agreements and collect the Annual Financing Charges and Legislative Appropriations payable thereunder, or to carry out any other covenant or agreement with Bondowners

under the Resolution and to perform its duties under the Act, the Agreements and the Resolution; (2) bring suit upon the Bonds; (3) by action or suit, require the Authority to account as if it were the trustee of an express trust for the Owners of the Bonds; (4) by action or suit, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; or (5) in accordance with the provisions of the Act, declare all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the Owners of not less than twenty-five percentum (25%) in principal amount of the Outstanding Bonds, to annul such declaration and consequences, but no such annulment shall extend to or effect any subsequent default or impair or exhaust any right or power consequent thereon.

All remedies conferred upon or reserved to the Owners of Bonds under the Resolution may be conferred upon and reserved in lieu thereof to the provider of a related Credit Facility authorized by a Supplemental Resolution. Nothing herein shall preclude the Authority from providing in an applicable Supplemental Resolution, or in any Credit Facility authorized thereby, that the exercise of any remedy under the Resolution or the waiver of any Event of Default under the Resolution by the Trustee or the Owner of any such Bond shall be subject to the prior written consent of the provider of any related Credit Facility.

No Owner of any Bond shall have any right to institute any suit, action, or other proceeding under the Resolution, or for the protection or enforcement of any right under the Resolution or any right under law unless such Owner shall have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

In the case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relating to the Authority, the Board or any Institution, or any property of the Authority, the Board or any Institution, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Authority for the payment of overdue principal and interest) shall be entitled and empowered, by intervention in such proceeding or other means (1) to file and prove a claim for the whole amount of the principal, Redemption Price, if any, and interest owing and unpaid in respect of the Bonds then Outstanding and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Owners allowed in such proceeding; and (2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same.

Prior to the declaration of maturity of the Bonds as provided in the Resolution, the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium, if any, on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

The Trustee shall promptly mail to the Bondowners notice of each Event of Default under the Resolution known to the Trustee within fifteen (15) Business Days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice; provided, however, that, except in the case of default in the payment of the principal, Sinking Fund Installment, if any, or Redemption Price, if any, or of interest on any of the Bonds, or in the making of any payment required to be made into the Debt Service Fund or the Debt Service Reserve Fund, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or responsible officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Bondowners.

## **Defeasance**

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect of the Resolution, subject to an election of the Authority to the contrary. Any Outstanding Bonds of any Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect, but subject to such election, of the Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Registrar instructions accepted in writing by the Registrar to give notice of redemption, as provided in the Resolution, on said date of such Bonds (other than Bonds which have been purchased by a Paying Agent at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to a Paying Agent as hereinafter provided prior to the mailing of such notice of redemption), (b) there shall have been deposited with any Paying Agent either (i) moneys in an amount which shall be sufficient, or (ii) Defeasance Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such Paying Agent at the same time, shall be sufficient to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Registrar in form satisfactory to it instructions to mail, as soon as practicable, a notice to the Owners of such Bonds, at their last addresses appearing upon the registry books at any time (but not more than fifteen (15) days) prior to such mailing, that the deposit required by (b) above has been made with a Paying Agent and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, of said Bonds (other than Bonds which have been purchased by a Paying Agent at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to a Paying Agent prior to the mailing of the notice of redemption referred to in clause (a) hereof). Such Paying Agent shall, as and to the extent necessary, apply moneys held by it pursuant to this Section to the retirement of Bonds in amounts equal to the unsatisfied balances (determined as provided in Section 604) of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in the Resolution.

## **Unclaimed Moneys**

Any moneys held by a Fiduciary in trust for the payment and discharge of the principal or Redemption Price of or interest on any of the Bonds which remain unclaimed for three years (or such other period as may at the time be prescribed by the laws of the State) after the date when such principal, Redemption Price or interest, respectively, became due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years (or such other period as may be prescribed by the laws of the State) after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such principal, Redemption Price or interest, respectively, became due and payable, shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Authority for the payment of such Bonds.

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## BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered bonds 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 Offered Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered 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 Offered Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Offered 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 Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Offered Bond documents. For example, Beneficial Owners of the Offered Bonds may wish to ascertain that the nominee holding the Offered 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 Offered Bonds of a maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of such series to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Offered 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 Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption premium, if any, payments on the Offered 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 Authority or any Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Authority or any Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or any Paying Agent, 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.

DTC may discontinue providing its services as securities depository with respect to the Offered Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Authority 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 FOREGOING INFORMATION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY BELIEVES TO BE RELIABLE, BUT THE AUTHORITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF. NONE OF THE AUTHORITY, TRUSTEE, REGISTRAR, PAYING AGENT OR UNDERWRITERS CAN MAKE ANY ASSURANCE THAT DTC OR THE DTC PARTICIPANTS WILL ACT IN A MANNER DESCRIBED HEREIN, NOR WILL THEY HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC ANY DIRECT DTC PARTICIPANT, OR BY ANY DIRECT DTC PARTICIPANT OR INDIRECT DTC PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM IF ANY, OR INTEREST ON OFFERED BONDS; (4) DELIVERY OR TIMELY DELIVERY BY DTC OR ANY DTC PARTICIPANT TO ANY BENEFICIAL OWNER OF ANY NOTICE (INCLUDING NOTICE OF REDEMPTION) OR OTHER COMMUNICATIONS TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND DOCUMENTS TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF OFFERED BONDS; OR (6) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE OFFERED BONDS.

So long as Cede & Co. is the registered owners of the Offered Bonds, as nominee for DTC, references in the Official Statement to the Bondholders or registered owners of the Offered Bonds (other than under the caption "Tax Matters" in the Official Statement) shall mean Cede & Co. or any other DTC nominee, as aforesaid, and shall not mean the Beneficial Owners of the Offered Bonds.

## SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE UNDERTAKING

The following is a brief summary of certain provisions of the Continuing Disclosure Undertaking. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Continuing Disclosure Undertaking, copies of which are available at the offices of the Authority. For definitions of certain terms used but not defined herein, see Appendix C - "GLOSSARY OF CERTAIN TERMS."

The Authority has authorized a Continuing Disclosure Undertaking (the "Undertaking") with respect to the Offered Bonds to assist the Underwriters in complying with U.S. Securities and Exchange Commission ("SEC") Rule 15C2-12 (the "Rule"). In the Undertaking, the Authority will agree to provide the Annual Financial Information described below with respect to each fiscal year of the Authority, commencing with the fiscal year ending June 30, 2021, by no later than 7 months after the end of the respective fiscal year, to the Municipal Securities Rulemaking Board ("MSRB").

"Annual Financial Information" means updated versions of the following financial information and operating data contained in the Official Statement relating to the Offered Bonds with respect to the Authority, for each fiscal year of the Authority:

- Outstanding Second Program Bonds (see "The Authority – Outstanding Second Program Bonds of the Authority")
- Authorized and Outstanding Revolving Credit Loans (see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Subordinated Obligations; Revolving Credit Loans")
- Tennessee Consolidated Retirement System financial information and operating data and Higher Education Employer Contributions (see "TENNESSEE PUBLIC HIGHER EDUCATION – Employee Retirement Benefits")
- Other Post-Employment Benefits unfunded liabilities and annual required contributions (see "TENNESSEE PUBLIC HIGHER EDUCATION – Other Post-Employment Benefits")
- Appendix B – Selected Statistical Information

The descriptions contained above are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided in lieu of such information.

Annual Financial Information will include the annual financial statements of the Authority, audited by such auditors as shall then be required or permitted by State law ("Audited Financial Statements"), if available, or unaudited financial statements. If not provided as part of Annual Financial Information by the date referred to above because they are not available, the Authority will provide Audited Financial Statements, when and if available, to the MSRB. Audited Financial Statements will be prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them ("GAAP").

Annual Financial Information also will include the annual financial statements of the State, including component unit reporting of The University of Tennessee system and the Board of Trustees of the University of Tennessee, and of the State University and Community College System of the State of Tennessee and the Tennessee Board of Regents, in each case audited by such auditors as shall then be required or permitted by State law, if available. If not provided as part of Annual Financial Information by the date referred to above because they are not available, the Authority will provide such audited financial statements, when and if available, to the MSRB. Such audited financial statements will be prepared in accordance with GAAP.

In the Undertaking, the Authority also agrees to provide, in a timely manner not in excess of 10 business days after the occurrence of the event, notice of each of the following events with respect to the Offered Bonds, to the MSRB:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Offered Bonds, or other material events affecting the tax status of the Offered Bonds;
- (vii) modifications to rights of Offered Bondholders, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Offered Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;

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

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (xv) incurrence of a Financial Obligation of the Authority or of any Institution, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority or of such Institution, as the case may be, any of which affect holders of Offered Bonds, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority or of any Institution any of which reflect financial difficulties.

For the purposes of clauses (xv) and (xvi) above, “Financial Obligation” means: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B) above, but does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Authority will also provide, in a timely manner, notice of any failure of the Authority to provide the Annual Financial Information by the date specified above to the MSRB.

Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB’s Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word-searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

The Undertaking will be effective upon the issuance of the Offered Bonds and will terminate upon the legal defeasance, prior redemption or payment in full of all of the Offered Bonds. The Undertaking, or any provision thereof, shall be null and void in the event that the Authority (i) receives an opinion of counsel to the effect that those portions of the Rule which require the Undertaking, or such provision, as the case may be, do not or no longer apply to the Offered Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (ii) delivers copies of such opinion to the MSRB. The Undertaking may be amended without the consent of the holders of the Offered Bonds in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules and regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby, or if an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, which is applicable to the Undertaking, in each case subject to certain additional requirements, all as described in the Undertaking. Copies of any such amendment are required to be delivered to the MSRB.

The provisions of the Undertaking shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Offered Bonds, except that beneficial owners of Offered Bonds shall be third-party beneficiaries of the Undertaking and shall be deemed to be holders of Offered Bonds for purposes of the next sentence. The obligations of the Authority to comply with the provisions of the Undertaking are enforceable by any holder of outstanding Offered Bonds; the holders' rights to enforce the provisions of the Undertaking are limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under the Undertaking. Any failure by the Authority to perform in accordance with the Undertaking will not constitute a default or an event of default under the resolutions authorizing the Offered Bonds or State law and shall not result in any acceleration of payment of the Offered Bonds, and the rights and remedies provided by such resolutions and applicable State law upon the occurrence of such a default or an event of default shall not apply to any such failure.

The Undertaking shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of the Undertaking shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent the Undertaking addresses matters of federal securities laws, including the Rule, the Undertaking shall be construed in accordance with such federal securities laws and official interpretations thereof.

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**FORM OF PROPOSED OPINION OF BOND COUNSEL**

February 24, 2021

Tennessee State School Bond Authority  
Nashville, Tennessee

TENNESSEE STATE SCHOOL BOND AUTHORITY  
HIGHER EDUCATIONAL FACILITIES SECOND PROGRAM BONDS  
2021 SERIES A (FEDERALLY TAXABLE), \$713,365,000

Dear Sirs:

At your request, we have examined into the validity of \$713,365,000 principal amount of Higher Educational Facilities Second Program Bonds, 2021 Series A (Federally Taxable) (the “2021 Bonds”) of the Tennessee State School Bond Authority (the “Authority”), a corporate agency and instrumentality of the State of Tennessee (the “State”).

The 2021 Bonds are issued under and pursuant to the Tennessee State School Bond Authority Act (Section 49-3-1201 et seq., Tennessee Code Annotated) as amended to date (the “Act”), the Higher Educational Facilities Second Program General Bond Resolution adopted by the Authority on April 27, 1998, as amended to date (the “General Resolution”) and a Supplemental Resolution of the Authority adopted on January 25, 2021 (the “Supplemental Resolution” and, collectively with the General Resolution, the “Resolution”).

We have examined the Constitution and laws of the State; certified copies of proceedings of the Authority authorizing the issuance of the 2021 Bonds, including the Resolution; a certified copy of a Second Program Financing Agreement by and between the Authority and the Board of Trustees of The University of Tennessee (the “Board of Trustees”) dated as of November 1, 1997, as amended and restated as of May 9, 2013; a certified copy of a Second Program Financing Agreement by and between the Authority and the Board of Regents of the State University and Community College System of the State of Tennessee (the “Board of Regents” and, together with the Board of Trustees, the “Boards”) dated as of November 1, 1997, as amended and restated as of May 9, 2013; certified copies of proceedings of the Authority authorizing the execution and delivery of said Second Program Financing Agreements (collectively, the “Second Program Financing Agreements”); such other instruments, documents, certificates and proceedings, and applicable law, as we have considered appropriate for purposes of this opinion; and a specimen 2021 Bond.

Based on the foregoing, we are of the opinion that:

1. The Authority has the right and power under the Act to adopt the Resolution and the Resolution has been duly and lawfully adopted by the Authority, is in full force and effect, is valid and binding upon the Authority and is enforceable against the Authority in accordance with its terms. The Resolution creates the valid pledge which it purports to create of the Annual Financing Charges and Legislative Appropriations (as each is defined in the Resolution), and all rights under the Second Program Financing Agreements or otherwise to receive the same, and moneys and securities held or set aside under the Resolution, subject to the application thereof to the purposes and on the conditions permitted by the Resolution.

2. The 2021 Bonds have been duly and validly authorized and issued in accordance with the laws of the State, including the Constitution of the State and the Act, and in accordance with the Resolution, and are entitled to the benefits of the Resolution and of the Act. The 2021 Bonds are valid and binding obligations of the Authority as provided in the Resolution, and are enforceable against the Authority in accordance with their terms and the terms of the Resolution, payable solely from the Annual Financing Charges, Legislative Appropriations and other moneys and securities held or set aside under the Resolution, subject to the application thereof to the purpose and on the conditions permitted by the Resolution. The Authority reserves the right to issue additional bonds on the terms and conditions, and for the purposes, provided in the General Resolution, on a parity of payment and security with the 2021 Bonds; provided, however, that as permitted by the General Resolution, certain series of bonds issued thereunder may not be payable from or secured by the Debt Service Reserve Fund on the same basis as others, and may not have any amount made available under the Resolution as a debt service reserve therefor (which initially is the case with the 2021 Bonds). The Authority has no taxing power, the State is not liable on the 2021 Bonds and the 2021 Bonds are not a debt of the State.
3. The Second Program Financing Agreements have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid contractual obligations of the Authority. You have received opinions of counsel to the Board of Regents and counsel to the Board of Trustees to the effect that the respective Second Program Financing Agreements have been duly executed and delivered by the respective Boards and constitute valid contractual obligations thereof, and we express no opinion herein with respect thereto. The State has not waived the immunity of the State (including, for this purpose, the Authority and the Boards) from suit or extended its consent to be sued with respect to the Second Program Financing Agreements. Accordingly, monetary actions against the State (including the Authority and the Boards) for breach of contractual obligations relating to the Financing Agreements may be heard and determined under current law exclusively in the Tennessee Claims Commission, an administrative tribunal, where liability may be limited to actual damages and certain costs.
4. Under the existing laws of the State, the 2021 Bonds and income therefrom are free from taxation by the State or any county, municipality or political subdivision of the State, except for estate and gift taxes and taxes on transfers, and except to the extent included within the measure of privilege taxes imposed pursuant to the laws of the State.
5. Interest on the 2021 Bonds is included in gross income for federal income tax purposes.

The opinions expressed in paragraphs 1, 2 and 3 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights, and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforceability is considered in a proceeding in equity or at law.

We express no opinion herein as to (i) federal, state or local tax consequences arising with respect to the 2021 Bonds, or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above, (ii) federal, state or local tax matters to the extent affected by any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves, or (iii) the accuracy, adequacy, sufficiency or completeness of the Official Statement (or any update or amendment thereof or supplement thereto) of the Authority relating to the 2021 Bonds, or any other financial or other information which has been or may be supplied to purchasers or prospective purchasers of the 2021 Bonds.

This letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred.

This letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or changes in law or in interpretations thereof, that may hereafter occur, or for any other reason.

Very truly yours,